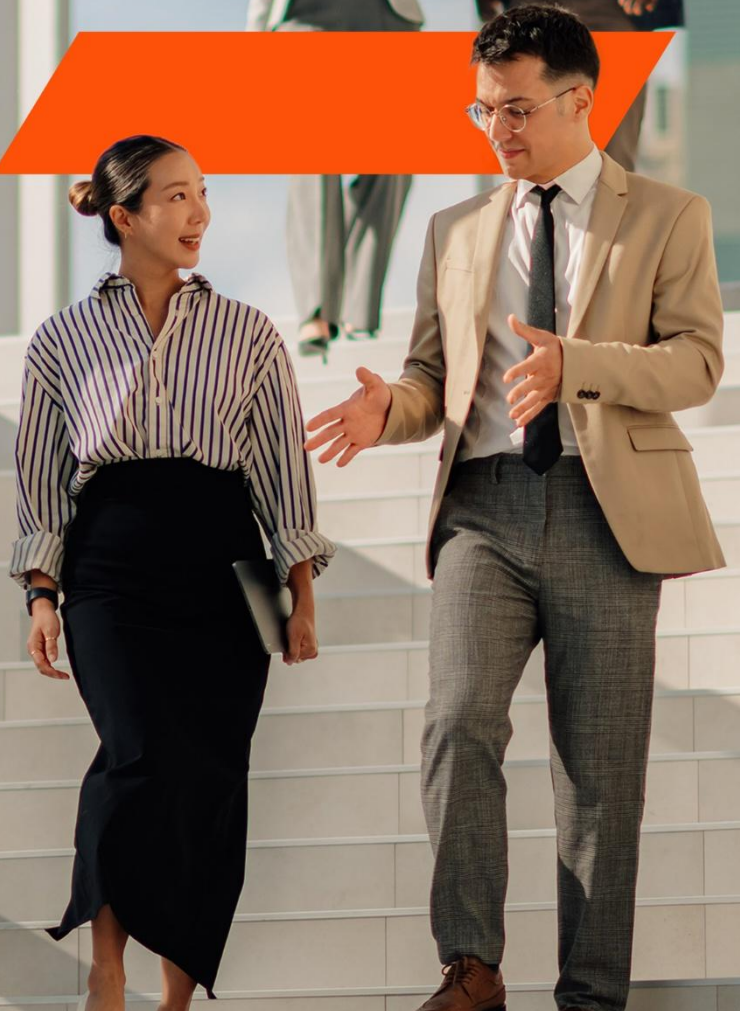




삼일회계법인

# Korean Tax Update Samil Commentary

May 15, 2026



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# 01

## Tax news

### **MOFE Proposes Amendments to Implement Tax Incentives for the National Growth Fund**

The Ministry of Finance and Economy (MOFE) has proposed amendments to tax laws to implement recently introduced tax incentives for the public participation national growth fund (the 'National Growth Fund'). The proposed amendments cover the Presidential Decree and Enforcement Rules of the Special Tax Treatment Control Law (STTCL) and the Individual Income Tax Law (IITL), and set out detailed requirements, including procedures for applying the tax benefits. The government is seeking public comments on the proposed amendments and expects to finalize and promulgate them in May following Cabinet consultations.

#### **Proposed Amendments to the Presidential Decree of the STTCL**

A proposed new provision under the Presidential Decree of the STTCL would establish detailed eligibility requirements for National Growth Fund tax incentives, including income tax deductions and separate taxation, available to qualifying resident individuals who invest in the National Growth Fund through a dedicated investment account for at least three years, as outlined below:

**National Growth Fund Structure and Investment Scope.** The fund would be structured as a closed-end public fund of private equity funds. Its investment scope would include corporations engaged in designated high-tech strategic industries under the Korea Development Bank Act, as well as stocks, equity interests, and bonds issued by such corporations. At least 60% of the fund's capital would be required to be invested in eligible targets and this investment ratio would need to be met within 30 months from the fund's establishment.

**Dedicated Investment Accounts and Investor Eligibility.** Early withdrawal from a dedicated account would be permitted, and the investment limit for the account would be restored following the early withdrawal. Eligible individuals who are employees aged 15 or older would be required to submit supporting documents (e.g., income certificate) to verify their eligibility.

**Post-investment Management (Recapture of Tax Benefits upon Early Disposal or Redemption).** Both the three-year mandatory holding period and the five-year tax benefit period would be calculated from the initial investment date for each dedicated account. Exceptions to recapture would apply in certain cases, including retirement, business closure, injury, illness and other prescribed cases, subject to the submission of a statement explaining the reason for termination.

### **Proposed Amendments to the Presidential Decree of the IITL**

An amendment to the Presidential Decree of the IITL is also proposed to add National Growth Fund collective investment securities savings (public participation type) to the category of savings and trusts for which financial institutions must submit income deduction support documents to the National Tax Service. The existing list of savings and trusts subject to this submission requirement includes venture business investment trusts, mutual-aid installments, subscription deposits and general housing subscription deposits.

## **MOIS Proposes Amendments to Local Tax Revenue-related Laws for the First Half of 2026**

The Ministry of the Interior and Safety (MOIS) has released draft amendments to the Presidential Decree and Enforcement Rules of the Basic Local Tax Law (BLTL) and the Local Tax Law (LTL). The amendments are intended to implement statutory delegations taking effect in 2026 and to establish assessment criteria for property tax applicable in July and September 2026. After reflecting public comments, the amendments are expected to take effect on June 1, following Cabinet approval.

### **Proposed Amendments to the Presidential Decree and Enforcement Rules of the BLTL**

**Expansion of local tax refund payment methods.** The methods available for local tax refunds would be expanded. In addition to existing payment methods such as cash and bank transfers, refunds would also be made through prepaid electronic payment instruments (or pay money) to improve taxpayer convenience.

**Expanded submission of information on family members of foreign nationals residing in Korea.** To improve the verification of family members living with foreign nationals in Korea and support more accurate local tax administration, the proposal would expand the scope of information that the National Health Insurance Service must submit to local tax authorities to include information on enrolled foreign nationals and their dependents residing in Korea. The proposed amendments would also require daily submission of this information and introduce a new tax form for that purpose.

**Expanded scope of landfill waste tax data for submission.** Following the introduction of a new local environmental levy on waste disposed of at landfill sites, effective July 1, 2026, it is proposed to establish a legal basis for sharing and linking relevant data held by the Ministry of Climate, Energy and Environment with local tax authorities for local tax purposes.

### **Proposed Amendments to the Presidential Decree and Enforcement Rules of the LTL**

**Relaxed criteria for exemption from higher acquisition tax rates on employee rental housing purchased by corporations located in designated areas.** The proposed amendments would relax the floor-area threshold used to determine eligibility for exemption from higher acquisition tax rates on employee rental housing in certain areas.

In areas outside the Seoul metropolitan area and in designated population-declining areas within the Seoul metropolitan area, the threshold would increase from 60 square meters or less to 85 square meters or less. The designated population-declining areas include Yeoncheon and Gapyeong in Gyeonggi Province, and Ongjin and Ganghwa in Incheon. The current 60-square-meter threshold will continue to apply in the rest of the Seoul metropolitan area.

**Exclusion of solar energy facilities from pro rata business place resident tax.** Solar energy facilities would be excluded from the scope of buildings subject to resident tax imposed based on a place of business and total floor areas. The related filing form for the pro rata business place portion would be revised to treat the horizontal projection area of those facilities as non-taxable area, thereby reducing the taxable building area. The pro rata business place portion refers to resident tax imposed on the basis of a place of business located within a local government's jurisdiction and the total floor area, which serves as the tax base.

**Extension and introduction of separate taxation for certain land uses.** The separate taxation for land used by integrated energy suppliers would be extended through to the end of 2028, a three-year extension from the current sunset at the end of 2026. The same three-year extension would apply to land for airport facilities operated by the Korea Airports Corporation, while a sunset provision would be introduced for the Incheon International Airport Corporation for the 2026–2028 period. In addition, a separate taxation regime would be introduced through 2028 for land used by local agricultural and fisheries distribution corporations for wholesale market management and distribution activities. Sunset provisions expiring in 2028 would also be established for land used for distribution and retail facilities operated by agricultural and fisheries cooperatives.

**Fair market price ratios for housing in 2026.** For property tax purposes, the fair market price ratios for single homeowners in 2026 would remain unchanged from 2025, applying rates of 43% for housing with an announced standard price of KRW 300 million or below, 44% for housing valued between KRW 300 million and KRW 600 million, and 45% for housing valued above KRW 600 million. A flat rate of 60% will continue to apply to multiple homeowners and corporate taxpayers.

**Scope of taxable wastes subject to a new landfill tax.** In connection with the new landfill tax taking effect in July 2026, the proposed amendments would limit the scope of taxable waste to waste disposed of by business places, while excluding waste for which local governments are liable to pay tax and waste generated by disasters.

## **NTS Issues Guidance on Korea's First Pillar Two Global Minimum Tax Filing, Due June 30, 2026**

The National Tax Service (NTS) has issued guidance on the first filing under Korea's Pillar Two Global Anti-Base Erosion Rules (the "GloBE Rules" or the "Rules"). Under the Rules, all domestic constituent entities, including Korean corporations or branches, that belong to an in-scope MNE group whose ultimate parent entity's fiscal year ended on December 31, 2024 (FY2024), are required to file their first global minimum tax returns, and top-up tax payments where applicable, in Korea by **June 30, 2026**. These in-scope

domestic entities may begin filing for FY2024 on May 1, 2026, but must complete their filings no later than June 30, 2026.

In this regard, the NTS has provided guidance to 10,188 domestic constituent entities belonging to 2,547 multinational enterprise (MNE) groups that are in scope of the GloBE rules. The key points regarding global minimum tax filings under the Rules are as follows.

### Scope

- The GloBE Rules apply to constituent entities of an MNE group if the group has annual revenue of EUR 750 million or more in the consolidated financial statements of the group's ultimate parent entity in at least two of the four preceding fiscal years. For FY2024, this revenue threshold is tested based on the consolidated revenue for the four preceding fiscal years, from FY2020 through FY2023.
- All domestic constituent entities of an in-scope MNE group are subject to the global minimum tax filing obligations in Korea, regardless of whether the ultimate parent entity is located in Korea or overseas and regardless of whether the ultimate parent entity's jurisdiction has implemented the Pillar Two rules.
- However, excluded entities, including governmental entities, non-profit entities, and pension funds, and other prescribe entities, are not within the scope of the Rules. When determining whether the group meets the EUR 750 million revenue threshold, however, the revenue of excluded entities within the group is also included in the consolidated revenue.

### Overview of the Rules

Under the GloBE Rules, if an MNE group's effective tax rate in any jurisdiction falls below 15%, a top-up tax is calculated with respect to the low-taxed jurisdiction, and may then be imposed not only in that jurisdiction, but also in the jurisdictions where the parent entity and other group entities are located, in accordance with prescribed rules and order of application, as summarized below:

- 1) A Qualified Domestic Minimum Top-up Tax (QDMTT) may first apply in the jurisdiction where low-taxed constituent entities are located if the jurisdictional effective tax rate in that jurisdiction is below 15%.
- 2) An Income Inclusion Rule (IIR), under which a top-up tax in respect of low-taxed constituent entities is imposed on a parent entity in the parent's jurisdiction if the jurisdictional effective tax rate in the constituent entities' jurisdiction is below 15%, subject to any applicable QDMTT.
- 3) An Undertaxed Profits Rule (UTPR), under which any residual top-up tax that remains unallocated after the application of the QDMTT and the IIR is allocated to constituent entities located in jurisdictions that have implemented the UTPR.

In Korea, the IIR applies for FY2024, requiring in-scope Korean parent entities to file and pay an IIR top-up tax in Korea with respect to any low-taxed jurisdiction where the effective tax rate of relevant foreign subsidiaries or branches in that jurisdiction is below 15%.

## Global Minimum Tax Filing Compliance

### Filing Obligations by Type of Return

Type of Return		Filing Obligation
Information Return	GloBE Information Return (GIR)	<ul style="list-style-type: none"> <li>In principle, each domestic constituent entity should file a GIR (Tax Form Nos. 53 and 54) separately.</li> <li>As an exception, a designated local entity may file on behalf of other domestic entities within the same MNE group.</li> </ul>
	Information Return on Overseas Constituent Entities (GIR Notification)	<ul style="list-style-type: none"> <li>In principle, any domestic constituent entity or designated local entity that files a GIR is not required to file a GIR Notification in Korea.</li> <li>However, each domestic constituent entity or a designated local entity may file a GIR notification (Tax Form No. 55), instead of a GIR, if the following conditions are met:               <ul style="list-style-type: none"> <li>(i) an overseas filing entity in the same MNE group files the GIR with the tax authority in its jurisdiction; <b>and</b></li> <li>(ii) the jurisdiction of the overseas filing entity has activated the Multilateral Competent Authority Agreement for the Automatic Exchange of GIR (GIR-MCAA) with Korea.</li> </ul> </li> </ul>
Tax Return	Top-up Tax Return	<ul style="list-style-type: none"> <li>Any domestic constituent entity that is liable for IIR top up tax in Korea should file an IIR top up tax return (Tax Form No. 56) and pay the top-up tax in Korea.</li> </ul>

### Filing Methods

The **GIR** must be filed electronically through the NTS Hometax system ([www.hometax.go.kr](http://www.hometax.go.kr)) only. Taxpayers may either upload an XML file or complete the return directly through the online filing form in Hometax.

The **GIR Notification** may be filed either electronically through Hometax or in paper form with the competent tax office. Where filed electronically, the return must be completed through direct online entry in Hometax.

The **Korean IIR top-up tax return** may also be filed either electronically through Hometax or in paper form with the tax office. For electronic filing, taxpayers may submit a Virtual Storage Access Method (VSAM) file or complete the return directly through the online filing form in Hometax.

### Filing and Payment Deadlines

For the first applicable year of the GloBE Rules (FY2024), the filing and payment due date is the later of (i) 18 months from the end of the fiscal year\* or (ii) June 30, 2026.

\*The relevant fiscal year-end should be determined by reference to the ultimate parent entity's fiscal year-end in the consolidated financial statements. Accordingly, for a domestic constituent entity whose ultimate parent company's fiscal year end in the

consolidated financial statement is December 31, 2024 (FY2024), the filing and payment due date for FY2024 is **June 30, 2026**.

### **Non-compliance Fine and Penalties**

**GIR or GIR Notification.** A fine of up to KRW100 million is imposed on a constituent entity that fails to file the information return (either a GIR or a GIR Notification) by the due date or files incorrect information return. An additional fine of up to KRW200 million may be imposed where the constituent entity fails to comply with an NTS request to file the required returns or to correct inaccurate information. However, for FY 2024, which falls within the transition period from FY2024 through FY2027 (i.e., fiscal years beginning before December 31, 2027 and ending before June 30, 2029), the non-compliance fine may be waived if prescribed waiver conditions, such as full disclosure of the computation of GloBE income or loss, are met.

**Korean IIR top-up tax return.** Failure to file the top-up tax return or to pay the top-up tax will result in non-reporting or underreporting penalties, as well as late payment penalties. However, for FY2024, which falls within the transition period, non-reporting or underreporting penalties are fully exempt, and late payment penalties are reduced by 50%.

### **NTS Compliance Support**

**Compliance Aid Materials and Checklist.** To support accurate filing, the NTS provides compliance checklists and practical guidance materials. Through Hometax, taxpayers can access country-by-country reporting information submitted for 2020 through 2023, as well as updates on the implementation status of the GloBE Rules across jurisdictions. The NTS also plans to provide case-based guidance booklets, instructional videos on Hometax filing, and separate materials tailored for foreign-invested companies.

**Key Considerations for Compliance.** For global minimum tax filings, the guidance highlights four practical four points: 1) The fiscal year for the global minimum tax filing must be aligned with the fiscal year of the ultimate parent entity's consolidated financial statements; 2) Although the effective tax rates and top-up taxes are in principle calculated on a jurisdictional basis, they must be determined on an entity-by-entity basis for certain entities—such as minority-owned constituent entities, joint ventures, and investment entities; 3) entities that ceased operations and closed their business during the relevant fiscal year must still be included in the GIR for that fiscal year; and 4) the GIR must be prepared in the functional currency used in the ultimate parent entity's consolidated financial statements, whereas the top-up tax return must be prepared in Korean won.

# 02

## Changes in tax laws

### **Amended Special Tax Treatment Control Law**

The Special Tax Treatment Control Law (STTCL) has been amended to introduce a set of temporary tax relief measures aimed at encouraging inward investment flows. Specifically, the amended STTCL: i) provides an exemption of up to 100% of capital gains from the disposal of overseas listed shares through a reshoring investment account (RIA) in 2026, provided that the proceeds are reinvested in Korean securities by December 31, 2026; and ii) grants a 5% income exemption to gains from currency hedging products, subject to a KRW 5 million cap, for investments realized by the end of 2026. In addition, the amended STTCL temporarily increases the dividend received deduction (DRD) ratio for dividends received by domestic parent companies from their qualifying foreign subsidiaries from 95% to 100% for the 2026 tax year. It also provides that dividends received in 2026 from a controlled foreign corporation (CFC) in a low-tax jurisdiction may be excluded from the Korean parent company's taxable income, provided that the CFC distributes all of its overseas earnings without retaining any profits. (Amended and proclaimed on April 21, 2026)

### **Amended Presidential Decree of the Special Tax Treatment Control Law**

Following the legislative amendments to the STTCL to provide temporary tax relief measures designed to promote inward investment, as described above, the Presidential Decree of the STTCL has also been revised to set forth detailed regulations in implementing these tax relief measures. The amended Presidential Decree sets out the specific method for calculating the reduction in the dividend received deduction (DRD) for dividends received from qualifying foreign subsidiaries, provides detailed rules for applying the capital gains exemption where overseas listed shares are disposed of through an RIA, and establishes the requirements for the tax incentives applicable to foreign exchange risk hedging products. (Amended and proclaimed on May 14, 2026)

### **Amended Special Rural Development Tax Act**

Following the amendments to the STTCL, which has introduced capital gains tax relief for disposals of overseas listed shares and gains from currency hedging products to encourage inward investment, the Special Tax for Rural Development Law has also been amended to exclude from the special tax for rural development those gains which qualify for the tax relief under the STTCL. (Amended and proclaimed on April 21, 2026)

## **Amended Individual Income Tax Law**

The Individual Income Tax Law (IITL) has been amended to expand the scope of the child tax credit to reflect a recent change to the Child Benefits Act. Under the amended IITL, the age threshold for children eligible for child tax credit has been increased from eight to thirteen. This amendment aligns with the revised Child Benefits Act, which raises the eligibility threshold from children under the age of eight to age nine in 2026, with a phased increase by one year annually until reaching age thirteen in 2030.

(Amended and proclaimed on April 21, 2026)

## **Amended Presidential Decree of the Individual Income Tax Law**

The Presidential Decree of the IITL has been amended to address transitional issues following the expiration of the grace period for the higher capital gains tax rates applicable to multiple homeowners holding houses in regulated areas, which ended as scheduled on May 9, 2026. The amendment expands the available relief to cover not only transactions where a sale contract was executed by May 9, 2026, but transactions where an application for a land transaction permit was submitted by that date. (Amended and proclaimed on April 23, 2026)

## **Amended Presidential Decree of the Individual Consumption Tax Act**

In order to ease the public's fuel cost burden, the Presidential Decree of the ICTA has been revised to extend the temporary flexible tax rate reduction particularly on butane for additional two months through June 30, 2026. Considering the recent sharp increase in fuel prices, the amendment also lowers the tax rate from KRW 247.5 per kilogram to KRW 206 per kilogram. (Amended and proclaimed on April 30, 2026)

## **Amended Presidential Decree of the Customs Act**

Under the Presidential Decree of the Customs Act regarding the determination of freight, where the freight for imported goods deviates significantly from normal levels, the freight ordinarily applied by a shipping company or airline may be used instead for customs valuation purposes. Recent conflicts in the Middle East have disrupted established maritime transport routes, forcing vessels to take longer alternative routes. This has led to a substantial increase in freight costs, which are included in the customs value and, in turn, have increased customs duty burdens. In response, the Presidential Decree has been amended to address such unavoidable circumstances—such as war or natural disasters—where freight charges rise significantly above normal market rates, allowing the use of standard freight rates ordinarily applied by shipping companies. (Amended and proclaimed on May 8, 2026).

# 03

## Rulings update

### Eligibility for the Start-up SME Tax Exemptions for Personal Service Providers Classified as VAT-Exempt Businesses

Article 6 of the Special Tax Treatment Control Law (“STTCL”) provides newly established small and medium-sized enterprises (“SMEs”) with a 50% to 100% reduction in corporate income tax for their first five taxable years, provided that they are located outside metropolitan overpopulation control areas and engaged in certain specified businesses. Among these, Article 6(3)(13) includes arts, sports, and leisure-related service businesses, excluding self-employed artists, amusement facility operators, water-based recreational service providers, operators or managers of gambling facilities, and other miscellaneous amusement-related service businesses. The issue addressed in this ruling is whether a VAT-exempt business under the Value Added Tax Law (“VATL”) — specifically one engaged in “other performing arts organization activities” under the Korean Standard Industrial Classification and falling within the category of arts, sports, and leisure-related services — may qualify for the start-up SME tax exemption. (*Seomyun-2025-Sodeuk-3913, 2026.03.09*)

The NTS ruled that while “other performing arts organization activities” classified as arts, sports and leisure-related services may in principle fall within the scope of eligible businesses for the start-up SME tax exemption, a personal service provider under Article 26(1)(15) of the VATL does not qualify as an SME for purposes of the STTCL. Accordingly, such businesses are not eligible for the start-up SME tax exemption. This conclusion is based on the definition of a ‘personal service provider’ under the VATL which refers to a business that independently supplies services without physical facilities or employees (Article 42(1) of the Presidential Decree of the VATL). Where a business lacks both physical facilities and employees, it cannot be regarded as an “entity,” as further explained in the 2026 Commentary on the Scope of SMEs issued by the Ministry of SMEs and Startups. Consequently, since personal service providers under the VATL do not constitute an entity in themselves, they are deemed ineligible for the start-up SME tax exemption under the STTCL.

**Observation:** This NTS ruling clarifies that personal service providers under the VATL that lack both physical facilities and employees should be excluded from the start-up SME tax exemption, which presupposes the existence of an entity. Thus, the mere fact that a taxpayer operates an otherwise eligible business and satisfies quantitative SME requirements—such as industry-specific revenue thresholds and independence criteria—does not automatically entitle the taxpayer to the start-up SME tax exemption. In addition, this interpretation suggests that businesses operating without physical facilities or employees, such as personal service providers under the VATL, should be regarded as excluded not only from the start-up SME tax exemption but also from the

scope of various tax credits and tax exemptions designed to support business entities as eligible beneficiaries.



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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