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South Korea – New Reporting Rules for Foreign Real Estate

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South Korea has recently updated the Individual Income Tax Act regarding the tax compliance and information reporting requirements in respect of the acquisition and management of overseas real estate.

Why This Matters

Oftentimes South Korean residents who are or have been expatriates are owners of property overseas (outside of South Korea) which they purchased because they may live (or have lived) in that property while they are working overseas or they own it as an investment, among other reasons. They are required to report such property holdings to the South Korean tax authorities where applicable. Failure to do so could invite significant penalties.

Background

With the update to the Individual Income Tax Act that took place in January 2015, real estate located outside South Korea is required to be reported by the owners on Form 97, *Statement of Acquisition and Management of Overseas Real Estate*. For an unofficial Form 97 (an English-language translation by Samjong KPMG, click [here](#)).¹ For the official Form 97 (issued by the National Tax Service in Korean), click [here](#). This development reflects the National Tax Service's efforts to increase transparency and better identify foreign assets held by resident taxpayers.

New Requirements Applying to South Korean Residents Who Are Owners of Overseas Real Estate

Residents² who have newly acquired overseas real estate or the right to such real estate according to the terms of the Foreign Exchange Transactions Act §3①-19 or had investment (including rental) income from overseas real estate during the taxable year are required to submit the *Statement of Acquisition and Management of Overseas Real Estate* to the local district tax office by the filing due date for individual income tax returns.³

Penalties for Non-Compliance

In case a resident fails to submit the *Statement of Acquisition and Management of Overseas Real Estate* or submits a false statement, penalties up to one hundredth of the acquisition price of real estate will be imposed with a limit of KRW 50 million (KRW 10 million for 2014) effective from 2015.⁴

KPMG Note

Individuals who have overseas real estate are advised to consult with their tax service providers with respect to whether their holdings fall under the scope of the reporting requirements and what steps they should take to foster their compliance with the rules.

Footnotes:

- 1 Taxpayers may consider completing the English-language form as a preliminary step to completion of the official Form 97 (in Korean) in consultation with or by a qualified tax professional.
- 2 A resident is an individual who is domiciled or resident in Korea for 183 days or more under the current tax law.
- 3 Obligation to submit the details of overseas real estate, etc. (Individual Income Tax Act §165-2①, Enforcement Decree of Individual Income Tax §217-2①).
- 4 Individual Income Tax Act §165-3②.

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The information contained in this newsletter was submitted by the KPMG International member firm in South Korea. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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