

### 2024 Korean Tax Reform relating to the Domestic GloBE Rules

The Ministry of Economy and Finance (MOEF) announced the tax proposal to the International Tax Coordination Law (ITCL) on July 25, 2024. This proposal includes additional provisions relating to GloBE Rules and they are mostly to cover items from OECD’s Model Rules/Commentary and the previously announced Administrative Guidance that have not been incorporated in the domestic GloBE rules.

The recent tax proposal introduces new provisions including UTPR Safe Harbour, Permanent Safe Harbour and the GloBE Loss Election for the first time while deferring the detailed guidance to the Enforcement Decree which will be introduced later in the year. Additionally, it clarifies the definition of permanent establishments, partially-owned intermediate parent entity, and the flow-through entity in line with the OECD model rules/commentaries. It also includes the supplement to the existing rules such as the allocation methods for the top-up tax under the UTPR, and the exceptions to De Minimis Rules, among others.

Topic	Details
Allocation Methods for top up tax under UTPR	<ul style="list-style-type: none"> <li><input type="checkbox"/> Principle</li> <li>① <b>Legal Allocation: Allocation based on the parent company's direct or indirect ownership</b></li> <li>② <b>Designated Allocation: Allocation agreed upon by Constituent Entities and designated by the reporting Constituent Entity</b></li> </ul> <ul style="list-style-type: none"> <li>• However, if top up tax from prior years are unpaid, allocation will be as follows:               <ul style="list-style-type: none"> <li>- If the Ultimate Parent Entity is located in Korea: Allocation to the ultimate parent entity.</li> <li>- If the Ultimate Parent Entity is not located in Korea: Legal allocation method applies.</li> </ul> </li> </ul>
Exception to De Minimis Rules	<ul style="list-style-type: none"> <li><input type="checkbox"/> De Minimis Rules: Applies if the average revenue of constituent entities in the country for the last three fiscal years is below €10 million and the average global minimum tax income or loss is below the minimum threshold of €1 million.</li> <li><input type="checkbox"/> Exception: If the eligibility for the exclusion changes post-reporting due to reasons such as reporting adjustments (including cases where the jurisdiction initially meets or fails to meet the exclusion criteria), the exclusion will no longer apply.</li> </ul>

The proposed amendments will be submitted to the National Assembly for the approval in September

which is expected to be finalized by the end of year.

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