



# GMS Flash Alert



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## South Korea - Tax Provision Bills with Measures for Foreign Workers

New provision bills have been introduced in South Korea that amend / update the rules around reporting of foreign bank and financial accounts as well as the submission of statements of transfer when registering transfers of Korean real estate. These measures may impact Korean nationals abroad and foreigners in South Korea.

### WHY THIS MATTERS

Tax-related costs as well as compliance burdens for inbound and outbound South Korean expatriates could be affected by the loosened failure-to-file penalties for the South Korean Report of Foreign Bank and Financial Accounts – more on that below – and the new requirement for the Statement of Transfer of Korean Real Estate Property, by Korean nationals abroad and foreigners.

In order to help avoid any unexpected tax implications, the changes described below should be taken into account when holding pre-departure or post-arrival counseling sessions with expatriates into and out of South Korea.

### Rationalization of Failure-to-File Penalty for Report of Foreign Bank and Financial Accounts (FBAR)

Tax residents<sup>1</sup> in South Korea having financial accounts opened at foreign financial institutions are required to file a South Korean FBAR by June 30 if the aggregate balance of the foreign financial accounts in the form of securities, derivatives, or other financial instruments exceeds KRW 500 million on any last day of the month of the year (for additional information, see GMS [Flash Alert 2018-044](#) (March 1, 2018)).

Currently, the failure-to-file penalty is waived when one is charged with criminal punishment. Effective from 2020, additionally, when a taxpayer pays the failure-to-file FBAR fines according to the tax authority's assessment notice issued, no additional failure-to-file penalty will be imposed.

The provision bill<sup>2</sup> has been introduced containing the measure to avoid a double fine/penalty punishment (as the fines are regarded as a monetary penalty).

In order to encourage voluntary disclosure with respect to unreported FBARs, a reduction in the failure-to-file FBAR penalty will be extended when an amended FBAR or a delinquent FBAR is filed. Details are listed in the following table.

<b>Amended return filing date from the original due date</b>	<b>Penalty Reduction Rate (%) – Current</b>	<b>Penalty Reduction Rate (%) – Proposed</b>	<b>Delinquent return filing date from the original due date</b>	<b>Penalty Reduction Rate (%) – Current</b>	<b>Penalty Reduction Rate (%) – Proposed</b>
<b>Within 6 months</b>	70	90	<b>Within 1 month</b>	70	90
<b>6 months – 1 year</b>	50	70	<b>1 month – 6 months</b>	50	70
<b>1 year – 2 years</b>	20	50	<b>6 months – 1 year</b>	20	50
<b>2 years – 4 years</b>	10	30	<b>1 year – 2 years</b>	10	30

Source: KPMG Samjong Accounting Corp.

[KRW 1 = GBP 0.00068 | KRW 1 = USD 0.00084 | KRW 1 = EUR 0.00076 | KRW 1 = AUD 0.0012]

## **New Requirement for Statement of Transfer of Korean Real Estate Property by Korean Nationals Abroad and Foreigners**

Effective from 1 July 2020, Korean nationals abroad and foreigners will be required to submit a Statement of Transfer of Korean Real Estate Property to a district Registrar-Recorder when a transfer of their Korean real estate property is registered. The measure has been proposed<sup>3</sup> in order to help ensure the taxation of real estate properties owned by Korean nationals abroad and foreigners.

### **FOOTNOTES:**

1 Please note that foreign tax residents in South Korea that have had stayed in South Korea for five years or less in aggregate in the preceding 10 years are exempt from reporting.

2 See (in Korean):

[http://www.moef.go.kr/nw/nes/detailNesDtaView.do?menuNo=4010100&searchNttId1=MOSF\\_00000000029187&searchBbsId1=MOSFBBS\\_00000000028](http://www.moef.go.kr/nw/nes/detailNesDtaView.do?menuNo=4010100&searchNttId1=MOSF_00000000029187&searchBbsId1=MOSFBBS_00000000028) .

3 See (in Korean):

[http://www.moef.go.kr/nw/nes/detailNesDtaView.do?menuNo=4010100&searchNttId1=MOSF\\_00000000029187&searchBbsId1=MOSFBBS\\_00000000028](http://www.moef.go.kr/nw/nes/detailNesDtaView.do?menuNo=4010100&searchNttId1=MOSF_00000000029187&searchBbsId1=MOSFBBS_00000000028) .

## Contact us

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**The information contained in this newsletter was submitted by the KPMG International member firm in South Korea.**

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