

GMS Flash Alert

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South Korea – New Trust Reporting Obligation, Exit Tax Expansion, and Updated Residency Rules

South Korea has imposed a new reporting requirement, Report of Foreign Trust. Effective from the 2026 filing season, tax residents in South Korea who established or maintained an overseas trust at any point during 2025 are required to submit an “Overseas Trust Statement” to the National Tax Service (NTS) by June 30, 2026.

South Korea also expanded its exit tax regime to include overseas stocks in its taxable base, effective for departures on or after January 1, 2027.

South Korea has tightened its tax residency criteria effective from tax years beginning January 1, 2026, in accordance with provisions initially announced in the 2024 Korean Tax Law Amendment.

This GMS Flash Alert reviews this trio of South Korean developments: the trust reporting obligation, exit tax expansion, and updated residency rules.

WHY THIS MATTERS

The imposition of Report of Foreign Trust increases compliance exposure for internationally mobile employees, as overseas trusts were previously outside Korea’s routine foreign asset reporting scope. HR and global mobility teams should be aware that employees who are considered tax residents in South Korea may now have additional annual disclosure obligations. Furthermore, the newly announced exit tax scope expansion to cover overseas shares as taxable assets is relevant as it may increase departure-related tax compliance obligations for internationally mobile employees who hold non-Korean equity interests (including overseas listed and non-listed shares). The revised rules can affect departure planning, tax equalization policy considerations, and relevant data gathering. Also, the expanded residency rule means individuals can now be classified as Korean tax residents based on 183 cumulative days across two tax years, rather than within a single tax year. This significantly increases the likelihood of triggering worldwide income taxation for those who split time between Korea and other countries.

Overview

A foreign resident who has/had his/her domicile or place of residence in the Republic of Korea for not more than five years in total starting from ten years prior to the end of the relevant taxable period is exempt from this new requirement. Korean domestic corporations face a similar filing obligation, due within six months of the end of the relevant business year. Non-adherence may result in penalties of up to ten percent of the overseas trust asset value.¹

Additionally, the scope of Korea's exit tax rules has been revised to include overseas stocks as taxable assets for individuals departing on or after January 1, 2027. Under the revision, an individual meeting the exit tax conditions (incl. a minimum domestic domicile period) may be subject to exit tax on certain capital gains items, now modified to also include overseas stocks.² Finally, effective January 1, 2026, South Korea has broadened its tax residency criteria. Any individual who maintains a residence in the country for a cumulative 183 days across two consecutive tax years will be treated as resident going forward.³

Report on foreign trusts

Effective from January 1, 2026, individuals could be required to report overseas trusts by filing the Overseas Trust Statement to the National Tax Service by June 30 following the relevant year, while domestic corporations could file within six months from the end of the relevant business year.

- Reporting obligation applies when a tax resident in South Korea or domestic corporation has established an overseas trust or transferred assets into an overseas trust at any point during the relevant year. A foreign resident who has/had his/her domicile or place of residence in the Republic of Korea for not more than five years in total starting from ten years prior to the end of the relevant taxable period is exempt from this new requirement.
- Annual reporting is required if the settlor (individual tax resident or domestic corporation) substantially controls or manages the overseas trust assets. Examples of "substantial control" include holding the right to terminate the trust; the right to designate/change beneficiaries; or the right to receive the residual assets upon the trust's termination.

The Overseas Trust Statement requires disclosure of information such as trust details, information on parties involved (settlor, trustee, beneficiaries), and the value of trust assets. A failing to file or submitting false information may result in a penalty of up to ten percent of the trust asset value, capped at KRW 100 million.

KPMG INSIGHTS

With South Korea's imposition of reporting on overseas trusts, proactive and timely identification of affected employees may be important. Global mobility and HR teams may wish to update annual tax questionnaires, assignee briefings, and compliance calendars to understand any overseas trust arrangements early. Given the complexity of trust structures and valuation requirements, timely coordination could be essential to manage compliance risk and avoid significant penalties.

Exit tax scope to include overseas stocks (effective from January 1, 2027)

Under the current rules, South Korea's exit tax may apply to deemed capital gains on domestic stocks held at the time of departure when a qualifying resident leaves South Korea for reasons such as moving abroad and thereby becoming a non-resident. Here a qualifying resident is defined as 1) a person who has resided in South Korea for at least five years out of the ten years preceding the departure date; and 2) a person who holds major shareholder status as defined under the Individual Income Tax Law, measured at the end of the year prior to departure.

Following recent legislative amendments, the South Korean exit tax regime will be expanded to include overseas stocks in its taxable base, effective for departures on or after January 1, 2027. Unlike in the case of domestic stocks, the major shareholder condition will not be applicable to overseas stocks. The amendments also provide specific exemptions from exit tax for certain overseas stock holdings:

- 1) When the total value of overseas stocks owned by the individual at the time of departure is KRW 500 million or less;
- 2) Overseas stocks owned by a foreign worker (limited to individuals who have provided labor in South Korea for at least 80 percent or more of the ten-year period prior to the departure date);
- 3) Overseas stocks acquired by a foreign worker's spouse or minor children before the worker's employment start date in South Korea.

Exemptions under items 2) and 3) apply only if the foreign worker departs the country within six months after their employment period in South Korea ends.

The amendment also clarifies the valuation rules for determining the deemed transfer value of overseas stock holdings subject to exit tax. For any overseas listed shares, the value is based on their standard market price on the date of departure, whereas for unlisted overseas shares a weighted average of net income and net assets (3:2 ratio) is used in accordance with Article 63 of the Inheritance Tax and Gift Tax Act.

KPMG INSIGHTS

Given the upcoming exit tax scope expansion to cover overseas stocks, global mobility and HR teams may want to help maintain pre-departure checklists and annual mobility tax questionnaires to capture overseas equity holdings early, especially for employees with complex investment profiles. Employees holding non-listed overseas stocks may require additional lead time to support the valuation methodology described in the rules. It is also important to note that the major shareholder condition does not apply in the case of overseas stocks.

Organizations may wish to assess whether the revised exit tax scope could influence assignment end-date planning, internal tax support processes, and communications for any potentially affected employees who are approaching a departure date from South Korea on or after January 1, 2027.

Expansion in tax residency criteria (effective from January 1, 2026)

South Korea has tightened its tax residency criteria effective from tax years beginning January 1, 2026, as per the provisions initially announced in the 2024 Korean Tax Law Amendment.

Until recently, an individual was classified as a resident mainly if he or she had a domicile in South Korea or had stayed in the country for at least 183 days within a single taxable year (calendar year). However, according to the 2024 amendment to the Individual Income Tax Law, an individual may now be classified as a resident if the total period of residency amounts to at least 183 consecutive days in South Korea, including the period spent in the immediately preceding taxable year, i.e., the residency criteria have been expanded to include individuals who have maintained residency in the country for 183 cumulative days across two consecutive tax years, even if the individual did not exceed 183 days in either single year.

The calculation of the relevant days is measured from the day after entry through the day of departure. Periods of temporary departure still count toward the residence period when the purpose is clearly temporary, but the definition of temporary departures has been refined: while previously tourism, medical treatment, and such reasons were considered as temporary departure, the amendment now defines also family visits

(personal), business trips and training (work-related), and other comparable reasons as temporary departures that count toward the residence period.

KPMG INSIGHTS

Global mobility and HR teams could recognize that South Korea's expanded tax residency rules—particularly the inclusion of 183 cumulative days across two tax years and the refined definitions of temporary absences that still count toward the cumulative residence period—may increase the likelihood that internationally mobile employees will be classified as residents, potentially triggering worldwide income taxation and more complex filing obligations. Entities and organisations might wish to update internal processes for tracking present days and identifying employees at risk of filing obligations to mitigate compliance risks and avoid unexpected tax exposures.

If assignees and/or their programme managers have any questions or concerns about the scope of the update, its application and potential impacts, and appropriate next steps, they should consult with their qualified professional or a member of the GMS team with KPMG in South Korea (see the Contacts section).

ENDNOTES:

1 National Tax Service (in Korean), "[Overseas Trust Assets Must Be Reported to the National Tax Service by June 2026](#)," published on January 23, 2026.

2 Ministry of Finance and Economy (in Korean), "[Follow-up Amendments to the 2025 Tax Revision Enforcement Decree](#)," published on January 16, 2026.

3 Ministry of Finance and Economy (in Korean), "[Draft Enforcement Decree Amendments Following the 2024 Tax Reform](#)," published on January 16, 2025.

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Contacts

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