



ATLAS

BY BNP PARIBAS

CASH MANAGEMENT

www.cashmanagement.bnpparibas.com/cg



BNP PARIBAS

The bank
for a changing
world

Disclaimer

This document has been prepared by BNP PARIBAS for informational purposes only. Although the information in this document has been obtained from sources which BNP PARIBAS believes to be reliable, we do not represent or warrant its accuracy, and such information may be incomplete or condensed. This document does not constitute a prospectus or solicitation.

All estimates and opinions included in this document constitute our judgement as of the date of the document and may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

This document is confidential and is being submitted to selected recipients only. It may not be reproduced (in whole or in part) to any other person without the prior written permission of BNP PARIBAS.

Make sure to always check the latest updates on the [Atlas website](#)

South Korea has the fourth largest nominal GDP in Asia (USD 1.71 trillion in 2023). GDP growth in South Korea was 1.5 percent for 2023 and 2.1 percent for 2024. South Korea has developed into one of Asia's most affluent countries since partition in 1948. The Korean War ended in 1953. During the following four decades, government-sponsored schemes encouraged the growth of family-owned industrial conglomerates, including the Hyundai and Samsung groups. They helped transform South Korea into one of the world's major economies and a leading exporter of cars and electronic goods. The economy enjoys broad diversification and a high level of competitiveness, and more than ten years of prompt and effective policy response to global shocks have helped to build strong fundamentals. South Korea's major export industries include semiconductors, automobiles, and shipbuilding. The country's manufacturing output is the sixth highest in the world.

The coronavirus (COVID-19) adversely affected the south Korean economy, which, however, quickly recovered as early as 2021. With its highly effective containment strategy, South Korea has been considered a model in combating the COVID-19 pandemic. The effective management of the crisis and significant support measures have led to a less severe crisis than in most developed countries. The country never imposed a full lockdown, relying instead on aggressive testing and contact tracing, mask-wearing, and further preventive measures to control the spread of COVID-19. The virus dealt a severe blow to the global economy, and South Korea was no exception. Nevertheless, the South Korean economy fared better than the world's other major economies due to the country's comprehensive crisis management. After contracting 0.85% in 2020, South Korea's GDP quickly recovered to 2.5% in 2024.

The rapid recovery was largely due to strong export performance since the end of 2020 with the export volume of semiconductors reaching an all-time high in 2021.

With the implementation of emergency relief funds and increased government spending during the COVID-19 outbreak in 2020, it was expected that the debt ratio would continue to grow in the future. In 2023, national debt accounted for 50.4 percent of GDP, an increase from about 49.4 percent in the previous year. The debt-to-GDP ratio has been slowly but steadily increasing over the years.

Household debt is the main risk in the financial system, though not in the short term, and macroprudential policies are effectively addressing financial stability challenges so far. In the medium term, real GDP growth is expected to slow to less than 2.5% per year, due to rapid population aging and, thus, declining contributions from labour. However, the economy's diversity and competitiveness, as well as relatively strong productivity growth and investment (supported by the government's "Fourth Industrial Revolution" and the "Korean New Deal" plans, unveiled in 2020), will help mitigate these pressures.

Summary

BNP Paribas presence

BNP Paribas has been present in South Korea since 1976 and is a leading bank in the country. It is one of the few international banks catering for customers' domestic and international cash management and trade finance requirements, both foreign companies doing business in Korea and Korean entities seeking to expand their international focus.

Currency

Currency

- South Korean Won (KRW).

Exchange rates

	2019	2020	2021	2022	2023
Exchange rate: KRW per USD	1,165.36	1,180.27	1,143.95	1,291.45	1,305.66

Source: IMF, International Financial Statistics

Central Bank

- The South Korean central bank is the Bank of Korea (BOK - www.bok.or.kr).

Bank supervision

- South Korean banks are supervised by the Financial Services Commission (FSC – www.fsc.go.kr) and the FSC's executive branch, the Financial Supervisory Service (FSS – www.fss.or.kr).
- Additional supervisory functions are performed by the BOK, such as requesting on-site examination of banking institutions by the FSS or joint examination with the FSS.

Bank accounts

Resident / non-resident status

- A company, which is incorporated in South Korea, is considered resident while its overseas branch is categorised as non-resident. A company, which is incorporated out of South Korea, is considered as non-resident, while its domestic branch in South Korea is considered resident.

Bank accounts for resident entities

	Within SOUTH KOREA	Outside SOUTH KOREA
Local Currency	Permitted without restriction, not freely convertible	Not permitted
Foreign Currency	Permitted without restriction, convertible	Permitted, with Ministry of Economy and Finance (MOEF) notification.

Bank accounts for non-resident entities

	Within SOUTH KOREA	Outside SOUTH KOREA
Local Currency	Permitted with restrictions, not freely convertible. Remittances from accounts abroad require BOK notification	Permitted with restrictions, not freely convertible
Foreign Currency	Permitted with restrictions, not freely convertible	Not applicable

Lifting fees










- Lifting fees are applied on payments between resident and non-resident accounts.
- Banks apply either flat fees for a range of transfer values or a percentage of the total transaction value.

BNP Paribas Cash Management Capabilities

Collections

Cash collections	
Cheque collections	
Direct debit collections	
Domestic incoming transfers	
Virtual IBAN	
Virtual accounts	
International incoming transfers	
Card acquiring	

Payments

Cash withdrawals	
Cheque payments	
Direct debit payments	
Domestic outgoing transfers	
Commercial cards	
Virtual cards	
International outgoing transfers	
SWIFT gpi	
Real-time international payments through BNP Paribas' network	

Card issuing	✓
--------------	---

Channels

Local e-Banking	●
Global e-Banking - Connexis	✓
SWIFT/ host to host	✓

Payments & collections

Market overview

The popularity of the smartphone in South Korea, the adoption rate is close to 100%, has meant the country has been one of the first and fastest adopters of digital payments. Popular mobile payment providers include Toss, N-Pay and KakaoPay. Pre-paid ‘smart’ cards, such as CashBee, are also increasingly popular. At the end of Q4 2023, pre-paid card usage had increased by 21%. In 2023, credit cards were the most popular payment method in volume terms, and the credit transfer in value terms.

Electronic banking services are available from all banks. There is no national electronic banking standard in South Korea, so companies use banks’ proprietary services.

Online and mobile banking services are provided by the country’s leading banks; there are 63 online and mobile banking services providers. There were 169 million individual internet banking users at the end of 2022 and 11 million corporate internet banking users. According to the central bank, the volume of money transfers carried out online in 2023, surged 19.2%.

Payment Systems

BOK-Wire+	Type	• Real-time gross settlement.
-----------	------	-------------------------------

	Transaction types processed	<ul style="list-style-type: none"> • High-value and urgent domestic and cross-border KRW-denominated electronic transfers. • High-value and urgent JPY and USD-denominated interbank payments. • Net obligations from South Korea's other payment systems.
	Operating hours	<ul style="list-style-type: none"> • 09:30–17:30 KST, Monday to Friday. (09:00 to 17:00 local time, Monday to Friday for payments submitted to BOK-Wire+ regional headquarters).
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> • Payments are cleared and settled in real time. • All net obligations cut-off time = 11:00 KST.
	System holidays	<ul style="list-style-type: none"> • BOK-Wire+ is closed on all South Korean bank holidays. • Recess on first Wednesday of every month, aka BOK reserve day.
Cheque Clearing Service	Type	<ul style="list-style-type: none"> • Multilateral net settlement system.
	Transaction types processed	<ul style="list-style-type: none"> • Cheque (cashier's cheques, current account cheques) and bill payments (promissory notes and bills of exchange). • Cheque and bill payments are truncated into electronic items before being processed.
	Operating hours	<ul style="list-style-type: none"> • 16:00–08:00 KST, Monday to Friday.
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> • Payments are settled on a next-day basis. • Cheque and bill items are truncated for overnight clearing. Cut-off time = 16:00 KST. • Final settlement takes place via BOK-Wire+ at 11:00 KST.
	System holidays	<ul style="list-style-type: none"> • Cheque and Bill Clearing is closed on all South Korean bank holidays.
Bank Giro	Type	<ul style="list-style-type: none"> • Multilateral net settlement system

	Transaction types processed	<ul style="list-style-type: none"> • KRW-denominated paper-based credit transfers. • Electronic giro payments (credit transfers, direct debits, standing orders). • Internet giro payments.
	Operating hours	<ul style="list-style-type: none"> • 09:00 to 17:00 local time, Monday to Friday. The internet giro service has extended hours until 22:00.
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> • Payment information sent to the KFTC (Korea Financial Telecommunications & Clearings Institute) for processing. • Electronic and internet giros settled on a next-day basis. • Electronic giros cut-off time = 17:00 KST. • Internet giros cut-off time = 22:00 KST. • Final settlement takes place via BOK-Wire+ at 11:00 KST. • Paper giros are settled on a two-working day cycle. Cut off time = 17:00 KST. • Final settlement takes place via BOK-Wire+ at 11:00 KST.
	System holidays	<ul style="list-style-type: none"> • Bank Giro is closed on all South Korean holidays. (Dates as above).
IFTNET	Type	<ul style="list-style-type: none"> • Multilateral net settlement system.
	Transaction types processed	<ul style="list-style-type: none"> • KRW-denominated cashier's cheques and irregular credit transfers.
	Operating hours	<ul style="list-style-type: none"> • 09:00-16:00 KST, Monday to Friday
	Clearing cycle details (e.g. cut off times)	<ul style="list-style-type: none"> • Participant bank's customers have funds remitted between bank branches in real time. • Accounts instantly debited or credited upon payment instruction. • Payments are settled on a next-day basis. • Final settlement takes place via BOK-Wire+ at 11:00 KST.
	System holidays	<ul style="list-style-type: none"> • IFTNET is closed on all South Korean bank holidays. (Dates as above)
HOFINET	Type	<ul style="list-style-type: none"> • Multilateral net settlement system.

	Transaction types processed	<ul style="list-style-type: none"> • Electronic banking payments (internet, phone, and mobile banking). • There is a ceiling of KRW 1 billion per transaction for companies; KRW 100 million for individuals.
	Operating hours	<ul style="list-style-type: none"> • 24 hours a day, 7 days a week
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> • Payments are settled on a next-day basis. • Participant banks can choose cut-off times between 00:00 and 07:00 KST. • Final settlement takes place via BOK-Wire+ at 11:00 KST.
	System holidays	<ul style="list-style-type: none"> • HOFINET is closed on all South Korean bank holidays. (Dates as above)
CDNET System	Type	<ul style="list-style-type: none"> • Multilateral net settlement system.
	Transaction types processed	<ul style="list-style-type: none"> • Cash withdrawals. • Credit card cash advances. • Funds transfers. • Giro payments. • KRW-denominated cashier's cheques.
	Operating hours	<ul style="list-style-type: none"> • 24 hours a day, 7 days a week.
	Clearing cycle details (e.g. cut off times)	<ul style="list-style-type: none"> • Payments are settled on a next-day basis. • NICE e-Banking Services sends CDNET transaction information to the KFTC for processing. • Final settlement takes place via BOK-Wire+ at 11:00 KST.
	System holidays	<ul style="list-style-type: none"> • CDNET is closed on all South Korean bank holidays. (Dates as above)
EFTPOS system	Type	<ul style="list-style-type: none"> • Multilateral net settlement system.
	Transaction types processed	<ul style="list-style-type: none"> • Debit card payments at POS terminals.
	Operating hours	<ul style="list-style-type: none"> • 08:00-23:30 KST, 7 days a week.

	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> • Payments are settled on a next-day basis. • Payment information sent to the KFTC, where net transaction values are calculated for each bank. • Final settlement takes place via BOK-Wire+ at 11:00 KST.
	System holidays	<ul style="list-style-type: none"> • N/A
CMS Direct Debit	Type	Direct Debits and Direct Credits
	Transaction types processed	<ul style="list-style-type: none"> • 3 Day and Same Day Direct Debits • Direct Credits
	Operating hours	<ul style="list-style-type: none"> • 24 hours a day, 7 days a week.
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> • Credit transfers are settled on a same-day basis. Cut-off time = 11:30 KST. • Debit transfers are settled on a next-day basis. • Final settlement takes place via BOK-Wire+ at 11:00 KST.
	System holidays	N/A
KFTC Foreign Currency Domestic Clearing Network	Type	<ul style="list-style-type: none"> • Multilateral net settlement system.
	Transaction types processed	<ul style="list-style-type: none"> • Funds transfers.
	Operating hours	<ul style="list-style-type: none"> • 09:00–17:00 KST, Monday to Friday.
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> • Payments are settled on a next-day basis. Cut-off time = 17:00 KST. • Final settlement takes place via BOK-Wire+ at 11:00 KST.
	System holidays	<ul style="list-style-type: none"> • The network is closed on all South Korean bank holidays.
Open Banking	Type	<ul style="list-style-type: none"> • API.

	Transaction types processed	<ul style="list-style-type: none"> • K-Cash e-money card payments. • Open banking is a financial payment platform that offers a standard API shared by participating institutions. It allows for the implementation of various financial services, such as integrated banking services, in a single app. The API also handles transaction mediation and related processes. • Balance Inquiry • Transaction History Inquiry • Beneficiary Validation Inquiry (Account Real Name) • Remitter Information Inquiry • Recipient Inquiry • Deposit Transfer • Withdrawal Transfer
	Operating hours	<ul style="list-style-type: none"> • 24 hours a day, 7 days a week.
	Clearing cycle details (e.g. cut off times)	<ul style="list-style-type: none"> • Payments are settled within a three working-day cycle. • Transaction information is sent to the KFTC for calculation of participant's net balances. • Final settlement takes place via BOK-Wire+ at 11:00 KST.
	System holidays	<ul style="list-style-type: none"> • N/A
B2C E-Commerce system	Type	<ul style="list-style-type: none"> • Real-time service for funds transactions between consumers and seller
	Transaction types processed	<ul style="list-style-type: none"> • Processes funds transfers between retailers and customers.
	Operating hours	<ul style="list-style-type: none"> • 24 hours a day, 7 days a week.
	System holidays	<ul style="list-style-type: none"> • N/A.
B2B E-Commerce system	Type	<ul style="list-style-type: none"> • Payment channel for online registered bills (ORBs).
	Transaction types processed	<ul style="list-style-type: none"> • Issues and processes ORBs and interbank find transfers.
	Operating hours	<ul style="list-style-type: none"> • 08:00 to 22:00, Monday to Friday.

	System holidays	• N/A
--	-----------------	-------

Credit transfers

- Credit transfers are used by companies to pay salaries and suppliers, and to make tax payments.
- High-value and urgent KRW-denominated credit transfers are settled on a same-day basis via BOK-Wire+.
- Low-value and non-urgent KRW-denominated credit transfers are settled in real time via retail payment systems run by the KFTC.
- Pre-scheduled, low-value credit transfers are made via the Bank Giro System. Non-scheduled credit transfers are effected through either the Internet Giro Service or the one of payment systems that make up the Financial Information Network Systems (FINS). Though final settlement takes place through BOK-Wire+ on a next-day basis, customers using a FINS system can obtain cash immediately after a funds transfer because the banks are connected to each other through a shared platform at the KFTC.
- Cross-border transfers can be made via SWIFT and settled through correspondent banks abroad.
- Many banks have access to retail payments systems in Europe, including EURO1, STEP1, STEP2 and TARGET2, or via CMS Direct Debit system on a three-day or same day cycle.

Direct debits

- Direct debits are used for regular payments, such as utility bills. Direct debits are usually preauthorised through standing orders.
- Companies can collect high-value payments from multiple payer accounts into a single collection account using the CMS debit transfer.
- Direct debits can be settled via the bank giro system on a three-day cycle or via CMS Direct Debit system on a three-day or same day cycle..
- The CFIP (Committee on Financial Informatisation Promotion) has implemented a bank-account mobile debit payment service (mobile cash). The project aims to build infrastructure that enables users to install a debit-type cash card application on their smartphones which will allow them to make payments to businesses, deposit or withdraw cash at cash card member stores, or use bank CD/ATMs.

Cheques

- The cheque is a common cashless payment instrument, used by both consumers and companies.
- Current account cheques are used by companies to make high-value, post-dated payments.

- Cashier's cheques, in the form of bearer-form bank drafts, are used in place of cash for certain payments and bank deposits. Cashier's cheques can be dispensed at any ATM. The most common preset value is KRW 100,000.
- Cheques are truncated into electronic items via the CTS before being settled on a next-day basis via the Cheque Clearing system. Final settlement takes place via BOK-Wire+ on a next-day basis.

Card payments

- Credit card payments are popular, especially for retail transactions.
- There are approximately 35 card-issuing companies in South Korea.
- Visa and MasterCard payment transactions are cleared via their respective international card schemes.
- Extended Korea Payment Network (ExK) is a cross-border ATM network arrangement project allowing South Korean payment card holders to withdraw cash from ATMs in the USA, Malaysia, Vietnam, Thailand, Indonesia and the Philippines, using domestically issued cards, without the need for partnerships with international credit card companies. Preparations are underway to extend this service other countries.

ATM/POS

- ATM payments are settled via CDNET on a next-day basis.
- POS payments are settled via EFTPOS on a next-day basis.

Electronic wallet

- VisaCash and Mybi are popular e-money schemes.
- Other pre-paid providers include CashBee (a contactless smartcard used to pay bills and make online purchases) and T-money which offers a rechargeable series of cards used to pay transport fares.
- The government has launched a QR-based payment app called Zero Pay in order to reduce payment processing costs for small companies.
- Card issuers, including Shinhan Card, BC Card, and Lotte Card launched a common QR code service called QRpay in 2019.
- A Smartphone Payment and Settlement Service (BankWallet) operates as a mobile wallet service in South Korea using BankMoney, a pre-paid electronic payment method.
- Popular mobile payment providers include Samsung Pay, Naver Pay and Kakao Pay.

Short term investments

Market overview

Interest payable on credit balances

- Interest-bearing current and checking accounts are not permitted.

Demand deposits

- Demand deposits denominated in KRW or major foreign currencies are available for an indefinite term as long as the account is opened. .

Time deposits

- Time deposits are available in KRW or major foreign currencies with terms ranging from overnight to 1 year.

Certificates of deposit

- Domestic banks issue certificates of deposit with terms ranging from 30 days to over 12 months. Terms of three months are most common.
- Certificates of deposit can be issued paying fixed or variable interest.
- The minimum investment amount is KRW 10 million.

Treasury (government) bills

- Treasury bills (T-bills) are issued by the government with maturities of less than one year, and typically with a maturity date of 63 days.
- The Ministry of Economy & Finance issues Korea Treasury Bonds with maturities ranging from three years up to 50 years.
- Monetary Stabilisation Bonds (MSBs) are issued by the BoK. Maturities range from 14 days to two years. Short-term MSBs have a maturity of less than 28 days.

Commercial paper

- Domestic commercial paper is issued in the form of unsecured promissory notes. Most paper is issued for terms up to one year.

Money market funds

- Domestic money market funds are an increasingly popular short-term investment instrument in South Korea.

Repurchase agreements

- Repurchase agreements with maturities ranging from overnight to one year are commonly available. There are ten standardised repo terms: overnight, two days, three days, four days, seven days, 14 days, 21 days, 30 days, 60 days, and 90 days.

Bankers' acceptances

- Bankers' acceptances are not commonly used in South Korea.

BNP Paribas Trade Finance Capabilities

Trade payments

Documentary credits	✓
Documentary collections	✓

Guarantees

Bank guarantees	✓
Standby letters of credit	✓

Supply chain management

Receivables	✓
-------------	---

Payables	✓
Inventory	●

Trade channels

Connexis Trade	●
Connexis Supply Chain	✓
SWIFTNet Trade for Corporates	●
Connexis Connect	✓
Connexis Guarantee	●
SWIFTnet Supply Chain	●

- BNP Paribas Global Trade Solutions' (GTS) team in Korea offers dedicated trade finance support, providing traditional trade finance and supply chain management solutions in line with the needs of corporations headquartered in, or operating in Korea. BNP Paribas GTS' export letters of credit franchise has developed rapidly in Korea, and continue to gain momentum. BNP Paribas GTS Korea serves some of the largest names in the construction and heavy industries, and is notable for its strength of offering in international guarantees.

International trade

General trade rules

- As a member of the Asia-Pacific Economic Cooperation (APEC) forum, South Korea has agreed to liberalise trade and investment rules between members.

Trade agreements

- South Korea has free trade agreements with 60 countries, including with the EU and ASEAN. It is in the process of negotiating eight further FTAs.
- South Korea's negotiations with the Philippines are expected to conclude by end-June 2021. Negotiations with Cambodia concluded in February 2021.
- South Korea has signed a continuity Free Trade Agreement with the UK.
- South Korea is a signatory of the Regional Comprehensive Economic Partnership (RECP).
- South Korea has officially declared that it will join the CPTPP.

Trade finance - Imports

Documentation

- The following documentation is required in order to import goods into South Korea:
 - bill of lading
 - customs declaration
 - certificate of origin
 - invoice.

Import licences

- Licences are not required for most imports into South Korea.

Import taxes and tariffs

- Tariffs are set on an ad valorem basis at an average of 13.3%.
- South Korea has eight free economic zones: Incheon, ChingBuk, East Coast, Busan-Jinhae, Gwangyang Bay Area, Yellow Sea, Daegu?Gyeongbu and Saemangeum Gunsan.

Financing requirements

- None

Risk mitigation

- None

Prohibited imports

- South Korea prohibits the import of certain items in line with UN Security Council resolutions.
- Specific imports are prohibited in order to protect fauna and flora, for health and safety or moral reasons, and/or for national security.

Trade finance - Exports

Documentation

- The following documentation is required in order to export goods from South Korea:
 - packing list
 - customs declaration
 - bill of lading
 - invoice
 - export permit.

Export licences

- Licences are not required for the majority of exports from South Korea.

Export taxes and tariffs

- None

Financing requirements

- None

Risk mitigation

- Korea Trade Insurance Corporation (K-sure), South Korea's national export insurer, provides state-supported export insurance.
- Korea Eximbank (KEXIM), South Korea's national export credit agency, provides state-supported export credit.
- Export credit insurance and financing is also available from private insurance companies and from commercial banks.

Prohibited exports

- South Korea prohibits the export of certain items in line with UN Security Council resolutions.
- Specific exports are prohibited in order to protect fauna and flora, for health and safety or moral reasons, and/or for national security.

Regulatory requirements

Reporting regulations

- All transactions between residents and non-residents must be reported to the BOK on a monthly basis.
- All remittances and withdrawals by residents from accounts held abroad must be reported to the BOK on a monthly basis.

- Specific transactions, such as netting payments, third-party payments and payments that bypass foreign exchange banks and capital transactions must be reported to the BOK or MOEF by the client. Please refer to the Bank of Korea's guidance website:

<https://www.bok.or.kr/portal/main/contents.do?menuNo=200398>.

- Additional reports are required to be made to the BOK (or, in some cases, the designated foreign exchange banks) for particular payments. These include netting payments, third party payments and payments which bypass foreign exchange banks.

Exchange controls

- Exchange controls are administered by the BOK and the Ministry of Economy and Finance.
- Forward trading on import and export transactions is restricted to 100% of the value of the transaction.
- Domestic financial institutions operating in South Korea are not permitted to take forward currency positions worth more than 50% of their equity capital. Foreign banks operating in South Korea are restricted to taking forward currency positions of no more than 250% of their equity capital.
- Restrictions apply to foreign investment in industries such as agriculture, nuclear, financial institutions, public sector utilities involved in privatisation, transport and communication.
- Financial and commercial credits to residents from non-residents (excluding trade credits) must be notified directly to the MOEF if in excess of USD 30 million.
- The majority of resident companies can access foreign currency loans for overseas use only, although some small and medium-sized manufacturers can obtain a restricted amount of foreign currency financing for the purchase of domestic facilities.

Taxation

Resident / non-resident

Compliance for corporations

Tax year: A company's tax year is accounting period as specified in the articles of incorporation. This normally is a 12-month period. The tax year cannot exceed 12 months.

Consolidated returns : A consolidated return system is available for a parent company and its 90% directly or indirectly owned domestic subsidiaries (100% prior to 1 January 2024)

Filing and payment: Korea operates a self-assessment system. If the business year is longer than six months, advance tax must be paid for the first six-month period. Filing and payment of advance tax must be made within two months after the first six month period (however, filing and payment

requirements are waived for SMEs if 50% of the previous year's tax liability was less than KRW 500,000). Companies must file a year-end income tax return within three months (four months for companies filing a consolidated tax return) after the end of a fiscal year and attach the balance sheet, income statement, statement of appropriation of retained earnings (or statement of disposition of deficit), and other relevant documents. A branch of a foreign corporation may be granted an extension of time to file its tax return in certain cases. Domestic companies subject to mandatory external audit may be granted a one-month extension for filing in certain cases.

- A company which has its headquarters, main office or a place of effective management in South Korea is considered to be a domestic company.

Financial instruments

- South Korea has no specific rules with regards to the taxation of financial instruments. Refer to the Withholding tax section for the taxation at source of gains derived from trading in certain financial products.
- Capital gains tax applies to income from trading financial derivatives on or after 1 January 2016.

Interest and financing costs

- Interest expenses incurred in the ordinary course of business are deductible.
- Interest expenses attributable to non-business assets are not allowed as deductible expenses for corporation tax purposes. There are also thin capitalisation rules to be observed.

Foreign exchange

- Generally, a domestic company can elect one of the following two methods regarding the translation of foreign currencies:
 - the standard foreign exchange rate on the fiscal year-end date; or
 - the standard foreign exchange rate on the date on which agreement was made.
- However, in the case of [accounts receivable](#) or payable (including loans) denominated in foreign exchange owned by a bank, any foreign exchange gain/loss on such accounts should be calculated based on the standard exchange rate on the fiscal year-end date for corporation tax purposes.
- Generally, a valuation gain/loss on currency forwards or swaps, regardless of the hedging purposes of the contract, is not allowed as an income or expense for corporation tax purposes until settled or matured. However, in the case of a currency forward or swap owned by a bank, it should be

calculated based on one of the following two methods, filed with the tax office, and the filing method should be applied continuously:

- the standard foreign exchange rate on the fiscal year-end date; or
- the standard foreign exchange rate on the date on which agreement was made.

Advance tax ruling availability

- A taxpayer can submit a request for a written ruling to NTS or the Ministry of Economy and Finance (MOEF) to resolve or clarify certain tax issues before entering into transactions. Obtaining a ruling can take from a few weeks to several months. Such rulings are public information. Although third parties can refer to rulings, they are only binding upon the party requesting them.
- The tax authorities may issue a private tax ruling in response to a taxpayer's inquiry as to the interpretation/application of the tax law.
- An advance ruling system also is in place.

Capital gains tax

Capital gains (or losses) generally are reflected in taxable income subject to corporate income tax. Korean-source capital gains derived by a non-resident are taxed at the lesser of 11%(including the local surtax) of the sales proceeds received or 22% (including the local surtax) of the gain realised.

Withholding tax (subject to tax treaties)

Payments to:	Interest	Dividends	Royalties	Other income
Resident entities	15.4% or 26,5%	None	None	None
Non-resident entities	15.4-22%	22%	22%	22%

- Interest on a loan, other than a loan obtained from a financial institution, paid to a resident company or individual is subject to a 25% withholding tax (27.5% including the local surtax); the rate is 20% (22% including the local surtax) if paid to a non-resident company or individual. Interest on bonds and loans obtained from financial institutions is subject to a 14% withholding tax (15.4% including the local surtax) for both residents and non-residents. The rate for non-residents may be reduced under an applicable tax treaty, although withholding tax at the domestic rate rather than the treaty rate may be required for certain payments to jurisdictions regarded as tax havens.

- Dividends : No withholding tax is imposed on dividends paid to a resident company. Dividends paid to non-resident companies are subject to a 20% withholding tax (22% including the local surtax). The rate for nonresidents may be reduced under an applicable tax treaty, although withholding at the domestic rate rather than the treaty rate may be required for certain payments to jurisdictions regarded as tax havens.
- Royalties : No withholding tax is imposed on royalties paid to resident companies. The domestic individual income tax law does not specifically cover the treatment of income from royalties, so royalties paid to resident individuals are subject to withholding tax at various rates, depending on the nature of the income (business income or other income; for other income, the type of rights, e.g. a copyright, know-how, etc. also is relevant). Royalties paid to non-resident companies or individuals are subject to a 20% withholding tax (22% including the local surtax). The rate for non-residents may be reduced under an applicable tax treaty, although withholding at the domestic rate rather than treaty rate may be required for certain payments to jurisdictions regarded as tax havens.
- Fees for technical services: No withholding tax is imposed on fees for technical services paid to resident companies. Income from services rendered by non-resident companies in Korea generally is classified as personal services income and subject to a 20% withholding tax (22% including the local surtax). Technical service fees for any transfer of technical information or know-how may be classified as a royalty.
- Fees for technical services: No withholding tax is imposed on fees for technical services paid to resident companies. Income from services rendered by non-resident companies in Korea generally is classified as personal services income and subject to a 20% withholding tax (22% including the local surtax). Technical service fees for any transfer of technical information or know-how may be classified as a royalty.
- In general, there is no branch remittance tax. However, a branch tax, ranging from 2% to 15% of after-tax profits less deemed re-invested capital, may be levied if a tax treaty between Korea and the country in which the branch's head office is resident allows Korea to impose the branch tax.

Tax treaties / tax information exchange agreements (TIEAs)

Korea has concluded more than 90 tax treaties. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profits Shifting (BEPS MLI) entered into force for Korea on 1 September 2020.

As at January 2024, Korea had not yet signed the Multilateral Convention to Implement Amount A of Pillar One(MLC), but is expected to do so in the middle of 2024.

Thin capitalisation

- If a foreign invested company borrows from a foreign controlling shareholder (FCS), or an FCS or head office guarantees borrowings from third parties, and such borrowing exceeds 200% (600% for financial institutions) of its net equity or paid-in capital, whichever is greater, then the interest expense on the debt exceeding 200% (600% for financial institutions) of the FCS's share of the borrower's net equity or paid-in capital is not deductible.

- As from January 1, 2019, deductions of interest expense on borrowings from an FCS are limited to 30% of adjusted taxable income. When applying this rule alongside the above interest deduction limitation rule, a Korean company is required to apply the rule that results in the lower interest deduction.

Transfer pricing

- Transactions with overseas related parties must be made on arm's-length terms. The following transfer pricing-related information must be disclosed within 6 months after the fiscal year end, unless a master file and a local file are submitted:
 - a report on the selected transfer pricing method and the reason for its selection;
 - a schedule of the taxpayer's international transactions with foreign related parties; and
 - a summary income statement for foreign-related parties.
- Resident companies and permanent establishments of a foreign company that have annual sales of more than KRW 100 billion and a transaction volume with foreign-related parties of more than KRW 50 billion per year are required to submit additional transfer pricing documentation (i.e. a comprehensive report on cross-border transactions, including a 'master file' and a 'local file'), which provides organisation/management information, cross-border transaction information, various business/intangible asset/financial/tax information, etc.
- Korean tax law requires country-by-country (CbC) reporting and the CbC report must be submitted within 12 months of the fiscal year-end.
- Both unilateral and bilateral advance pricing agreements are available.

Stamp duty

- Stamp duty tax is imposed when a document verifying that property rights are found, transferred or changed is newly made, but the tax is not significant.

Cash pooling

- There are no specific tax rules for cash pooling arrangements. However, under the commercial law and foreign currency transaction regulations, there is a provision to enable cash pooling and cash concentration among affiliates worldwide.

Financial transactions / Banking services tax

- Not applicable in South Korea.

All tax information supplied by www.deloitte.com.



BNP PARIBAS

The bank
for a changing
world