

## Korean Transfer Pricing Documentation Rule Related to BEPS

In Korea, there is the compliance rule on the TP documentation in accordance with the Action Plan 13 of OECD BEPS project.

### 1. Filing Requirements for a local file, master file and CbC report

Classification	1. Local File	2. Master File	3. Country-by-Country Report ("CbCR")
Background	In Korea, there is the compliance rule on the TP Documentation in accordance with the Action Plan 13 of OECD BEPS project.		
Filing obligator	Domestic companies or the foreign companies in Korea having a Korean business place, meeting all of the following conditions:  (a) In case where the total transaction amounts with foreign related parties for the reporting fiscal year (including goods transaction, service transaction, intangible assets transactions, loan and borrowing transaction), exceed KRW 50 billion; and (b) In case where the total revenue amounts for the reporting tax year exceed KRW 100 billion		[A] A domestic controlling company (preparing the uppermost consolidated financial statements) of the Korean multi-national company group whose ultimate parent company is a domestic company and whose revenue amounts [Note 1] in the consolidated financial statements for the immediately previous fiscal year (of the reporting fiscal year) exceed KRW 1 trillion [B] A domestic affiliate company of the foreign multi-national company group whose ultimate parent company is a foreign company and whose revenue amounts [Note 1] in the consolidated financial statements for the immediately previous fiscal year (of the reporting fiscal year) exceed EURO 750 mil. (or the threshold of the applicable law in the country) meeting one of the following conditions: (a) In case where there is no obligation of submission of CbCR under the law of the country where the foreign parent company is located; or (b) In case where the CbCR is not available to the Korean tax authority due to the no-exchange of CbCR between countries [Note 2]
Preparation and submission	Each company in Korea	* Generally, a mater file is prepared by an ultimate parent company. * Coverage of master file: Principally, the master file shall cover the companies included in the preparation of consolidated financial statements of the uppermost controlling company of multi-national group. However, the preparation per business unit or the preparation per subsidiary group having same business would be accepted. * Representative of submission: In general, if 2 or more taxpayers are subject to the obligation of master file submission, a upper-tiered company or one of the companies in the same tier can submit the master file one time on behalf of all the obligators of same group.	* The filing obligators above - Of course, the preparation of English CbCR is usually done by the ultimate parent company * If the above filing obligator submits the CbCR submission obligator information form in 6 month after the fiscal year end, it will be exempt from the CbCR filing obligation in the following cases. (Case 1) In case where the CbCR is submitted by another domestic affiliate company on behalf of Korean multi-national company group; or (Case 2) In case where the ultimate parent company of foreign multi-national company group submit the CbCR and it is shared through the normal exchange of CbCR between countries (through its foreign affiliate companies, if necessary) [Note 2]
Documents to be submitted (example)	Local file, master file and CbCR should be submitted only through the information network system of the Korean tax authority.		

	(Scope) filing obligator a. Organization chart b. Business explanation c. Details of foreign related party transactions d. TP information e. Financial condition etc.	(Scope) filing obligator and its affiliate companies a. Organization chart b. Business explanation c. Details of intangible assets d. Funding activities e. Financial conditions etc.	(Scope) filing obligator and its affiliates a. Revenue per country b. EBT and NOL per country c. Income tax payment per country d. Injected capital per country e. Main business activities per country etc.
Reporting language	Korean	Korean (If the master file is submitted in English by the due date, the Korean version of such master file shall be submitted additionally within 1 month after the due date)	Korean and English
Due date of submission	Within 12 months after the end of the reporting fiscal year (However, if there is an unavoidable reason such as fire, disaster, theft, business crisis, etc., the due date can be delayed up to maximum 1 year.)		
Penalty	KRW 30 mil. per file/report for when the above report or files are not submitted partially or wholly, or when they are falsely submitted. After the initial penalty imposition, tax authorities are entitled to demand to submit or correct the information within 30 days. Additional penalty up to KRW 200 mil. could be imposed if the taxpayer fails to submit it again. Additional penalty is computed based on the number of delayed days.		

[Note 1] 'revenue amounts' means the total amounts of all kinds of revenue stated in the consolidated income statement including non-operating income, extra ordinary income, etc.

[Note 2] Generally speaking, if the bilateral exchange relationship for CbCR between Korea and the foreign country where the ultimate parent company is located, is activated after the CbC MCAA(\*) was entered, the CbCR will be exchanged. However, if not, it will not be exchanged. (Activation Check: [www.oecd.org/tax/beps/country-by-country-exchange-relationships.htm](http://www.oecd.org/tax/beps/country-by-country-exchange-relationships.htm)) (\*) CbC MCAA means 'Multilateral Competent Authority Agreement on the Exchange of CbCR'

2. CbyC Reporting Obligation

