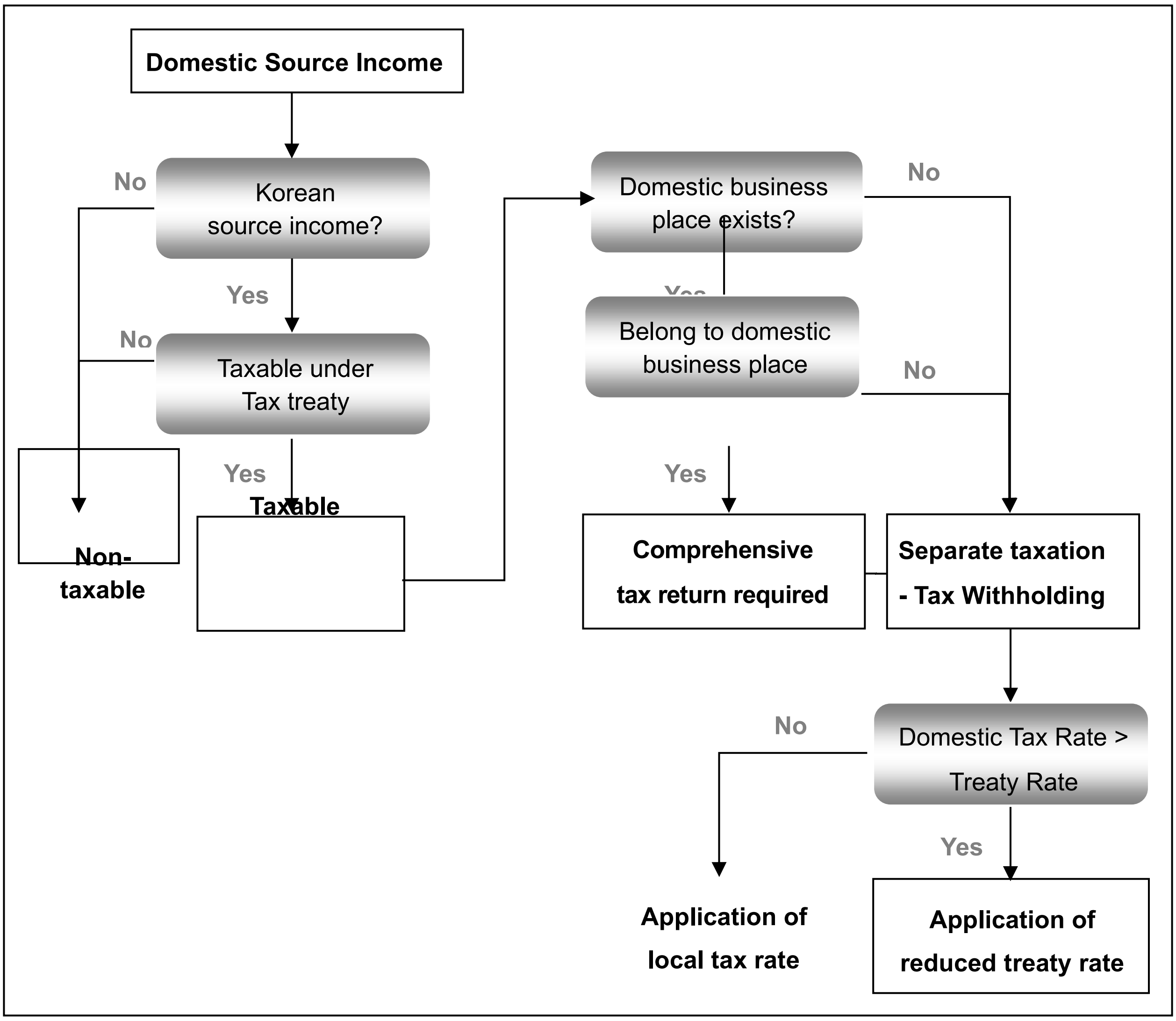
Overview of taxation on the domestic source income of a non-resident or a foreign corporation

1. A taxation system for the domestic source income

In taxation of the domestic source income for a non-resident or a foreign corporation, the domestic taxation regulations such as individual income tax law or corporate income tax law are applied. However, in taxation on the resident of foreign countries which have a tax treaty with the Republic of Korea, the tax treaty shall be predominant over domestic tax laws.

2. Taxation for a non-resident or a foreign corporation



3. A Taxation on Korean source income of a non-resident

Category	Presence of Korean permanent establishment("PE")	No PE in Korea	
		Taxation method	Withholding tax rate (%)
Interest income	Comprehensive tax return is required	A separate taxation - paid in full by withholding agent	20% (interest on bonds 14%)
Dividend income			20%
Lease income of vessels, aircraft, etc			2%
Business income			2%
Personal service income			20% (3%)
Royalties			20%
Capital gains from securities transfer			Lesser of (sales proceeds X 10%, capital gain X 20%)
Other income			20%
Real estates income		Comprehensive taxation	-
Capital gains	Same as a Korean resident	Same as a Korean resident (However, if the transferee is a corporation, it can be preliminary withheld)	Lesser of (sales proceeds X 10%, Capital gain X 20%)

● Interest income, dividend income, royalties (reduced treaty rate applied)

Country with tax treaty	Country with no tax treaty
Reduced rate under tax treaty (0-15%)	20% (surcharge 10%)

- In case, it is practically connected to or vested in the domestic place of business of non-resident, no reduced tax rate shall be applied, but a comprehensive taxation shall be applied.
- In the event that the reduced tax rate includes the local tax (resident tax), the income tax rate is calculated as a reduced tax rate x 1/(1+0.1).

● Business income

Country with tax treaty	Country with no tax treaty
No Korean PE, no tax.	No Korean PE, 2% shall be withheld.
If it has a Korean PE, the comprehensive taxation shall be applied to the attributable income.	

● Method for tax withholding

- The person responsible for withholding: The person who pays domestic source income (In the event there is no address or place of residence in the Republic of Korea, a tax agent shall be designated for filing of tax return)
  * However, as for the transfer of marketable securities through the securities broker, the securities broker is responsible for the tax withholding.
- Tax Payment: Location of the party responsible for the tax withholding
- Timing for tax withholding: When the domestic source income is actually paid
- Taxable income: Gross amount of domestic source income paid.
- The person making the payment should submit the payment statement to the head of the local tax office until the end of February of the next year.
- For those non-residents who want to get non-taxable or to be exempted from tax obligation according to the tax treaty should submit an application (including residency certificate) for non-taxable/tax-exemption through the person making the payments by 9th of the following month.