



# Newsletter

## Korea Tax Updates

### I. Recent Improvements to the NTS Tax Audit Process

#### 1. Overview

The National Tax Service (“NTS”) has introduced improvements to the tax audit process aimed at enhancing taxpayer rights protection and increasing the predictability of tax audits, with the revised measures taking effect from April 2026.

As part of these changes, the NTS revised its internal guidelines to notify corporations of their selection for regular tax audits earlier than under prior practice and to allow taxpayers to choose the commencement timing of regular tax audits within a designated period. In addition, the NTS has focused on reducing uncertainty surrounding tax audits by disclosing key audit focus areas in advance.

#### 2. Introduction of the Tax Audit Timing Selection System for Regular Audits

Under the current tax laws, the NTS is required to provide taxpayers with a prior notice at least 20 days before the commencement of a tax audit. Although the relevant statutory provisions remain unchanged, the NTS has expanded its advance notification practice as part of its broader efforts to enhance taxpayer rights protection and improve the predictability of tax audits.

Effective from April 2026, the NTS introduced the “Regular Tax Audit Timing Selection System,” which allows taxpayers selected for regular tax audits to choose their preferred audit commencement timing within a designated three-month window. Under this system, taxpayers selected for a regular tax audit may, upon receipt of the preliminary notification, submit their preferred audit commencement periods by indicating first and second preferences. For example, where the available audit commencement window spans from July to September, a taxpayer may designate August as its first preference and September as its second preference.

The NTS will finalize the audit schedule after taking into account the taxpayer’s submitted preferences. Separately, the NTS will continue to issue the statutory prior notice of tax audit at least 20 days before the actual commencement of the audit, in accordance with the existing tax laws.

However, the timing selection system may not apply in certain exceptional cases, including where the statute of limitations for assessment is approaching expiration or where the taxpayer has been selected

for a non-regular (special) tax audit.

The introduction of this system is expected to reduce uncertainty surrounding audit timing by allowing taxpayers to take into consideration key business and operational schedules when selecting the audit commencement period. At the same time, because the NTS now provides earlier notice of anticipated audit schedules, taxpayers may also be expected to undertake more comprehensive pre-audit preparations. Accordingly, taxpayers should use the additional preparation period to organize relevant supporting documentation and conduct internal tax risk reviews in advance of a potential tax audit.

### 3. Advance Disclosure of Key Audit Focus Areas

To enhance the predictability of tax audits and promote voluntary tax compliance, the NTS has publicly disclosed ten major categories of tax issues (the “Key Audit Focus Areas”) that are frequently identified or challenged during tax audits.

Depending on a taxpayer’s particular facts and circumstances, certain items may present material tax risks, while others may not be applicable. Nevertheless, given that the NTS has specifically identified these categories as recurring audit focus areas, it is expected that the NTS will continue to review these issues closely during future tax audits. Accordingly, taxpayers should consider conducting internal reviews of the disclosed items and implementing appropriate corrective actions, where necessary.

The 10 Key Audit Focus Areas disclosed by the NTS are as follows:

#### A. Corporate Income Tax and Individual Income Tax

Key Audit Focus Area	Examples
<b>1. Personal Use of Corporate Credit Cards</b>	<ul style="list-style-type: none"> <li>① Purchase of personal miscellaneous items or household goods (medical devices, cosmetics, artwork, etc.)</li> <li>② Use at businesses unrelated to operations (sports academies, entertainment venues, etc.)</li> <li>③ Payment of personal medical expenses (plastic surgery clinics, dermatology clinics, dental clinics, oriental medicine hospitals, etc.)</li> <li>④ Use unrelated to business purposes, including weekend/holiday use, overseas use, or use at locations remote from the business premises</li> </ul>
<b>2. Omission of Sales Revenue Reporting</b>	<ul style="list-style-type: none"> <li>① Receipt of sales proceeds through personal accounts of executives or employees without reflecting such amounts in tax filings</li> <li>② Receipt of sales proceeds through overseas personal accounts of representatives without reflecting such amounts in tax filings</li> <li>③ Receipt of sales proceeds from online or platform sales through personal accounts without reflecting such amounts in tax filings</li> </ul>
<b>3. Waiver of Accounts Receivable Without Justifiable Business Reasons</b>	<ul style="list-style-type: none"> <li>① Waiver of collectible receivables in order to maintain favorable business relationships with customers</li> <li>② Waiver of receivables from related parties without reasonable grounds</li> <li>③ Application of discounts to confirmed sales prices without prior agreements or internal policies</li> </ul>
<b>4. Recording of Fictitious Payroll Expenses for Non-Working Individuals</b>	<p>Cases where salary payments to family members of controlling shareholders or representatives are treated as fictitious payroll expenses due to the absence of supporting evidence of actual employment, such as attendance records or approval documentation. In such cases, the expenses are denied as deductible expenses for corporate income tax purposes and reclassified as taxable income of the representative or shareholder, resulting in additional individual income tax assessments.</p>

Key Audit Focus Area	Examples
<b>5. Improper R&amp;D Tax Credit Claims</b>	<ul style="list-style-type: none"> <li>① Claiming tax credits for personnel engaged in non-R&amp;D activities (simple quality inspection, basic measurement activities, etc.)</li> <li>② Claiming tax credits for researchers concurrently performing non-R&amp;D functions (e.g., general administrative duties)</li> <li>③ Claiming tax credits for researchers who undertook overseas business trips unrelated to R&amp;D activities</li> </ul>
<b>6. Omission of Deemed Interest Calculation on Temporary Loans to Shareholders, etc.</b>	<ul style="list-style-type: none"> <li>① Representatives or shareholders using corporate funds for personal purposes without paying interest</li> <li>② Provision of loans to related parties at no interest or below-market interest rates</li> </ul>
<b>7. Immediate Expensing of Costs That Meet Capitalization Requirements</b>	<ul style="list-style-type: none"> <li>① Treating large-scale remodeling costs as repair expenses</li> <li>② Treating IT system or ERP implementation costs as service expenses</li> <li>③ Expensing capital expenditures that extend useful life or increase value or functionality of assets</li> </ul>

## B. Value Added Tax (“VAT”) Areas

Key Audit Focus Area	Examples
<b>1. Issuance or Receipt of False Tax Invoices</b>	Cases where tax invoices are issued without an actual supply of goods or services for the purpose of inflating sales. Depending on the circumstances, such cases may result not only in tax penalties but also in criminal prosecution.
<b>2. Errors in VAT Taxable vs. Exempt Treatment</b>	Cases where a taxpayer operating both taxable and exempt businesses claimed full input VAT credits on purchases commonly used for both businesses, by incorrectly treating all purchases as attributable solely to taxable business activities
<b>3. Failure to Report VAT on Deemed Supply or Personal Use</b>	<ul style="list-style-type: none"> <li>① Purchase or lease of vehicles, electronic devices, real estate, etc. using company funds for personal use</li> <li>② Provision of goods free of charge or at below-market prices to customers, employees, or related parties</li> <li>③ Personal use of goods manufactured in connection with the business</li> </ul>

## II. Guidance on Global Minimum Tax Filing Obligations for Foreign-Invested Companies Applicable During 2026

The Global Minimum Tax (“Pillar Two”) is an internationally agreed tax regime developed under the OECD/G20 Inclusive Framework to address tax avoidance and base erosion through profit shifting by multinational enterprise (“MNE”) groups. Under the Pillar Two rules, in-scope MNE groups are generally required to maintain a minimum effective tax rate (“ETR”) of 15% in each jurisdiction in which they operate.

The Pillar Two rules apply to MNE groups with consolidated annual revenue of EUR 750 million (approximately KRW 1 trillion) or more in at least two of the four preceding fiscal years, based on the consolidated financial statements. In Korea, the relevant Pillar Two rules are being implemented in phases as summarized below (for corporations with a December fiscal year-end).

Category	Applicable Fiscal Years	Initial Filing Deadline
Income Inclusion Rule	Fiscal years beginning on or after January 1, 2024	June 30, 2026
Undertaxed Profits Rule	Fiscal years beginning on or after January 1, 2025	June 30, 2027
Domestic Minimum Top-up Tax	Fiscal years beginning on or after January 1, 2026	June 30, 2028

As 2026 is the first year in which Pillar Two-related filings will be required in practice in Korea, foreign-invested companies should closely monitor their filing obligations in relation to the FY2024 GIR Notification.

### **GloBE Information Return (“GIR”) Notification**

In principle, Korean constituent entities of an MNE group subject to the Pillar Two rules are required to file a GIR. The GIR includes Pillar Two-related information for the entire group, including jurisdictional tax and income information, effective tax rate calculations, and top-up tax computations.

However, where a GIR has already been filed in a jurisdiction that has entered into a GIR information exchange agreement (Multilateral Competent Authority Agreement, “MCAA”) with Korea, Korean constituent entities may satisfy their filing obligation by submitting a GIR Notification in lieu of filing the GIR itself.

In addition, where there are multiple Korean constituent entities, a designated representative constituent entity may submit the GIR Notification on behalf of all Korean constituent entities. If all Korean constituent entities are included in such filing, separate filings by each individual Korean constituent entity are not required.

[Applicable Fiscal Years]

Fiscal years beginning on or after January 1, 2024

[Filing Deadline]

First year: Within 18 months from the fiscal year-end

Subsequent years: Within 15 months from the fiscal year-end

(i.e., FY2024: June 30, 2026 / FY2025: March 31, 2027)

## Upcoming Tax Reporting Reminder

**Obligation to file the International Transaction Statement, Summary Income Statement, and Transfer Pricing Method Statement:** Filing due by June 30, 2026 (for corporations with a December fiscal year-end)

**Filing and payment deadline for the final VAT return for the first half of FY2026:** Filing and payment due by July 27, 2026

**Obligation to file the GIR Notification:** Filing due by June 30, 2026 (for corporations with a December fiscal year-end)

## International Tax Team – Key Contacts

Oh, Sang Bum	<a href="mailto:sangbumoh@kr.kpmg.com">sangbumoh@kr.kpmg.com</a>	02-2112-0721
Cho, Sang Hyun	<a href="mailto:sanghyuncho@kr.kpmg.com">sanghyuncho@kr.kpmg.com</a>	02-2112-7687
Suh, Yu Jin	<a href="mailto:yujinsuh@kr.kpmg.com">yujinsuh@kr.kpmg.com</a>	02-2112-0930
Song, Hyung Woo	<a href="mailto:hyungwoosong@kr.kpmg.com">hyungwoosong@kr.kpmg.com</a>	02-2112-0275
Min, Woo Kee	<a href="mailto:wmin@kr.kpmg.com">wmin@kr.kpmg.com</a>	02-2112-6886
Kang, Sung Won	<a href="mailto:skang22@kr.kpmg.com">skang22@kr.kpmg.com</a>	02-2112-6771
Ryu, Su Seok	<a href="mailto:suseokryu@kr.kpmg.com">suseokryu@kr.kpmg.com</a>	02-2112-6787
Park, Seong Kyun	<a href="mailto:seongkyunpark@kr.kpmg.com">seongkyunpark@kr.kpmg.com</a>	02-2112-0455
Lee, Sung Wook	<a href="mailto:sungwooklee@kr.kpmg.com">sungwooklee@kr.kpmg.com</a>	02-2112-0946
Paik, Seung Hyun	<a href="mailto:spaik@kr.kpmg.com">spaik@kr.kpmg.com</a>	02-2112-0963
Jung, So Hyeon	<a href="mailto:sohyeonjung@kr.kpmg.com">sohyeonjung@kr.kpmg.com</a>	02-2112-7657
Lee, Tai Ho	<a href="mailto:taihohlee@kr.kpmg.com">taihohlee@kr.kpmg.com</a>	02-2112-0920
Huh, Jae Young	<a href="mailto:jaeyounghuh@kr.kpmg.com">jaeyounghuh@kr.kpmg.com</a>	02-2112-7692
Hong, Min Jung	<a href="mailto:minjunghong@kr.kpmg.com">minjunghong@kr.kpmg.com</a>	02-2112-7938

[home.kpmg/socialmedia](https://home.kpmg/socialmedia)



[Privacy](#) | [Legal](#)

The information contained herein is of a general nature and is not intended to address the circumstances of any individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2026 KPMG Samjong Accounting Corp., a Korea Limited Liability Company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.