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New Administrative Penalties for Failure to Report the Status of Foreign Corporation Liaison Offices

(Enactment of Article 94-2(4) and Article 124(2) of the Corporate Tax Act)

Overview

Foreign corporations maintaining liaison offices in Korea are subject to annual reporting obligations, even if the liaison office does not conduct revenue-generating business activities in Korea.

A liaison office generally refers to a foreign corporation's Korean presence that performs only preparatory or auxiliary activities—such as market research, information gathering, or business liaison functions—and therefore does not constitute a taxable domestic place of business under the Corporate Income Tax Act.

Under existing rules, foreign corporations operating such liaison offices must submit an annual status report to the competent tax office by February 10 of the following year.

Legislative Change

The amended Corporate Income Tax Act introduce administrative sanctions for non-compliance with this reporting obligation.

Where a foreign corporation fails to submit the required liaison office status report or submits inaccurate information, the head of the competent tax office may issue a corrective order. If the foreign corporation fails to comply with the corrective order, an administrative fine of up to KRW 10 million may be imposed.

The annual report must generally include:

- Basic information regarding the Korean liaison office;

- Information regarding the foreign head office and other Korean operations;
- Information concerning domestic business counterparties; and
- Other information required by the tax authorities.

The amendment applies to reporting obligations arising on or after January 1, 2026.

Practical Implications

Historically, liaison office reporting requirements have received relatively limited attention because liaison offices are not generally subject to Korean corporate income tax. However, Korean tax authorities have increasingly focused on monitoring the activities of foreign enterprises operating in Korea without a formal taxable presence.

Foreign corporations maintaining representative or liaison offices should review whether their reporting procedures are sufficient to ensure timely and accurate compliance. Businesses should also periodically assess whether the activities performed by the liaison office remain preparatory or auxiliary in nature, as expanded functions may trigger unintended permanent establishment exposure.

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