SHIN & KIM
법무법인(유) 세종

New Filing Obligation Relating to Treaty-Based Reduced Withholding Tax Rates

(Enactment of Article 98-6(4) of the Corporate Tax Act)

Overview

Foreign corporations and non-resident individuals seeking treaty benefits on Korean-source income are generally required to establish their eligibility for a reduced withholding tax rate under the applicable tax treaty.

To claim treaty benefits, the beneficial owner of the income must provide the withholding agent with an application for treaty relief and supporting documentation demonstrating beneficial ownership. Additional reporting obligations apply where overseas investment vehicles are involved.

Legislative Change

The amended Corporate Income Tax Act imposes a new reporting obligation on Korean withholding agents.

Under the new rules, withholding agents must submit to the competent tax office:

- Applications for treaty-based reduced withholding tax rates;
- Supporting documentation establishing beneficial ownership; and
- Overseas investment vehicle reports, where applicable.

The documentation must be submitted by the end of February of the year following the year in which the Korean-source income was paid.

The amendment applies to treaty relief applications submitted on or after January 1, 2026.

Practical Implications

This amendment reflects the Korean tax authorities' continued focus on treaty entitlement and beneficial ownership verification.

Although foreign taxpayers have long been required to substantiate their eligibility for treaty benefits, the new rules increase compliance obligations for Korean withholding agents by requiring them to retain and submit supporting documentation directly to the tax authorities.

Multinational groups should review their withholding tax compliance procedures to ensure that treaty-benefit applications and supporting documentation are collected, maintained, and submitted in a timely manner. Businesses relying on treaty-based withholding tax reductions—particularly those involving investment funds, holding companies, and fiscally transparent entities—should expect increased scrutiny from the tax authorities.

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