



MINISTRY OF  
STRATEGY  
AND FINANCE

## Press Release

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### **Procedures and documents required in applying for non-taxation in investments of government bonds by non-residents and foreign corporations**

Following amendments made to the Income Tax Act and the Corporate Tax Act on May 21<sup>st</sup> which allow a non-taxation on interest profits and capital gains arising from investment in government bonds and monetary stabilization bonds by non-residents and foreign corporations, an additional enforcement decree and rule which include information on application procedures and required documents passed the National Council on June 2<sup>nd</sup>. It was subsequently announced and took into effect on June 8<sup>th</sup>.

Non-residents and foreign corporations holding government bonds may not tax on interests paid and capital gains from the alienation on or after May 21<sup>st</sup>. The said non-residents and foreign corporations shall submit applications for non-taxation or tax exemptions with attached certificates of residency issued by the residing country to the withholding agent. The withholding agent shall subsequently submit the said application to the head of a competent tax office before the 9<sup>th</sup> in the month following the day of issuance. “Certificates of residency” refers to a written document issued by the tax office of the appropriate country proving that the applicant resides within the said country.

In the event a certificates of residency may not be acquired, or is difficult to acquire, an applicant that is an individual may instead submit a copy of a passport, and a certificates of exit or entry. An applicant that is involved in a public fund may submit a certificates of fund

establishment and a trust deed. In other cases, an applicant may submit a document approved and announced by the Commissioner of the National Tax Service.

With the concurrent announcement and execution of the eligibility, responsibility and approval procedures regarding a qualified foreign intermediary, it is expected that investments in government bonds and monetary stabilization bonds by non-residents and foreign corporations through a qualified foreign intermediary will become more active.

To be eligible as a qualified foreign intermediary, it must be a foreign corporation with its head office situated in a country that has concluded a tax treaty with Korea, and is carrying out duties similar to that of Korea Securities Depository, or is able to carry out duties of safe deposit of foreign securities.

Its responsibilities shall include confirmation of personal information for non-residents and foreign corporations including name, company name, nationality, residence and situs. It will also store and display pertinent information concerning the above information as well as status and history of transactions for each investor.

To apply to become a qualified foreign intermediary, an applicant shall submit an application through Korea Securities Depository to the Commissioner of the National Tax Service. The Commissioner shall determine the eligibility and validity of the application with due considerations to its capacity to carry out the aforementioned responsibilities, after which the approval will be granted.