

SOUTH KOREA

AUTHORITY GUIDE

THOMSON REUTERS TAX RESEARCH

JUNE 2015 CONTENT UPDATE #1

Introduction

South Korean VAT Law has been recently amended to apply 10% VAT to the cross-border supplies of electronic services, such as applications, games, films, music downloads and advertisement.

Accordingly, foreign companies with no business place in South Korea providing electronic commerce to local customers shall register with National Tax Service (“NTS”) and file VAT returns through NTS website.

Foreign companies shall become compliant by July 1, 2015.

PART I – UPDATES TO DETERMINATION

South Korea

Configuration Update

The authority of South Korea has been updated to add functionality for cross-border supplies of electronic commerce by foreign businesses.

Authority Options

The following authority option was added effective 1 July 2015 for the authority of South Korea.

AUTHORITY OPTION	CONDITION	VALUE
CL – Customer Location Reverse Charge	Not Applicable	Not Applicable

PART II – TAX RESULT EXAMPLE

Test 1: Foreign Electronic Services – Purchase (Seller is registered in South Korea)

The following elements were passed:

Role: Buyer

Transaction Type: ES

Seller primary: Germany; Registration: South Korea

Buyer primary: South Korea; Registration: South Korea

The following image shows an example of the transaction.

View Results: 1 ▾	Gross Amount: 100.00		Eff%: 10%										
Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt						
Country: SOUTH KOREA	South Korea	VAT	S	I		10%	10.00 10.00 USD						
<input checked="" type="checkbox"/> Authority Messages:													
<table border="1"> <thead> <tr> <th>Authority</th> <th>RuleOrder</th> <th>Message</th> </tr> </thead> <tbody> <tr> <td>South Korea</td> <td>10000</td> <td>GCBCL35: Input VAT in Buyer's country.</td> </tr> </tbody> </table>								Authority	RuleOrder	Message	South Korea	10000	GCBCL35: Input VAT in Buyer's country.
Authority	RuleOrder	Message											
South Korea	10000	GCBCL35: Input VAT in Buyer's country.											

Test 2: Foreign Electronic Services – Sale (Seller is not registered in South Korea)

The following elements were passed:

Role: Seller

Transaction Type: ES

Seller primary: Germany; Registration: None

Buyer primary: South Korea; Registration: South Korea

View Results: 1 ▾		Gross Amount: 100.00		Eff%: 0%					
Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt		
Country: GERMANY	Germany	Not Liable	NL	O	0%	0.00			
Country: SOUTH KOREA	South Korea	Not Liable	NL	O	0%	0.00			
								0.00 USD	

Test 3: Foreign Electronic Services – Sale (Seller is registered in South Korea, no Buyer Registration is present)

The following elements were passed:

Role: Seller

Transaction Type: ES

Seller primary: Germany; Registration: South Korea

Buyer primary: South Korea; Registration: None

The following image shows the details of a sale where the seller is not registered in South Korea.

Scenario 2015 June - South Korea Logic Update - ES - Seller B2C:								
View Results: 1 ▾		Gross Amount: 100.00		Eff%: 10%				
Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	
Country: GERMANY	Germany	Not Liable	NL	O	0%	0.00		
Country: SOUTH KOREA	South Korea	VAT	S	O	10%	10.00		
								10.00 USD

Test 4: Foreign Electronic Services – Purchase (Seller is registered in South Korea, no Buyer Registration is present)

The following elements were passed:

Role: Buyer

Transaction Type: ES

Seller primary: Germany; Registration: South Korea

Buyer primary: South Korea; Registration: None

The following image shows the detail of the purchase.

View Results: 1 ▾		Gross Amount: 100.00		Eff%: 10%						
Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT		
Country: SOUTH KOREA	South Korea	VAT	S	I	10%	10.00	10.00	10.00	10.00 USD	

CONCLUSION

This guide explains changes made in ONESOURCE Indirect Tax Determination in connection with the authority of South Korea. Please contact Customer Support with any additional questions.