Overview

1 Tax Act Amendment Bills Subject to Deliberation at the 2025 Regular Session

□ Deliberation[1] and resolution of 12 national tax bills at the 14th plenary session of the 429th National Assembly (Regular Session) on December 2, 2025

◦ (Committee evaluation) Evaluation of 14 national tax bills by the National Assembly Economy and Finance Committee during the regular session, followed by the resolution of 11 bills on November 30 through bipartisan agreement.

 – (Evaluation target bills): Framework Act on National Taxes, National Tax Collection Act, Income Tax Act, Corporate Tax Act, Inheritance Tax and Gift Tax Act, Comprehensive Real Estate Holding Tax Act, Value-Added Tax Act, Individual Consumption Tax Act, Liquor Tax Act, Education Tax Act, Act on Special Rural Development Tax, Adjustment of International Taxes Act, Customs Act, Act on Restriction on Special Cases Concerning Taxation

 – (Resolved bills): Framework Act on National Taxes, National Tax Collection Act, Income Tax Act, Inheritance Tax and Gift Tax Act, Comprehensive Real Estate Holding Tax Act, Value-Added Tax Act, Individual Consumption Tax Act, Customs Act, Act on Restriction on Special Cases Concerning Taxation, Adjustment of International Taxes Act, Act on Special Rural Development Tax

◦ (Plenary session deliberation) At the plenary session on December 2, the legal deadline for processing the budget bill, 10 bills[2] [3] resolved by the Economy and

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1) The dictionary definition of "deliberation" is "to evaluate and discuss"; the National Assembly Act uses the term "deliberation" (Article 93) for agenda items of the plenary session, and the term "evaluation" (Article 58) for agenda items of committees (Lim Jong-hun & Lee Jeong-eun, The Legislative Process in Korea, PARKYOUNGSA, 2021).

2) Among the national tax-related bills designated as ancillary bills to the revenue budget bill by the Speaker of the National Assembly, 8 bills for which substituted bills were drafted, such as the Partial Amendment Bill of the Income Tax Act (Substituted Bill) and the Partial Amendment Bill of the Act on Restriction on Special Cases Concerning Taxation (Substituted Bill), are deemed to have their respective substituted bills designated as ancillary bills to the revenue budget bill.

3) Among the 11 bills resolved by the Economy and Finance Committee, 10 bills designated as ancillary bills to the revenue budget bill were referred to the plenary session in accordance with Article 85-3, Paragraph 2 of the National Assembly Act, but the Partial Amendment Bill of the Act on Special Rural

Finance Committee and 2 bills automatically referred[4] to the plenary session due to the expiration of the evaluation period, which are the Partial Amendment Bill of the Corporate Tax Act and the Partial Amendment Bill of the Education Tax Act, were combined to resolve a total of 12 national tax-related bills[5]

[Table 1] Main Contents of Amendment Bills of the National Tax-related Tax Acts Subject to Deliberation at the 2025 Regular Session

Name of Law (Number of Deliberation Items)	Main Contents
Income Tax Act (42 items)	- Expansion of the target for the special tax credit for education expenses at private academies and sports facilities (Bill proposed by Reps. Seo Yeong-gyo, Park Seong-jun, Gang Seung-gyu, Jeong Il-yeong, An Do-geol, Park Jeong, Park Su-min, Jo Jeong-hun, Yun Ho-jung, Jeon Jae-su, Yun Jun-byeong, Lee Yong-seon, Lee Su-jin, Gang Dae-sik, Yun Yeong-seok, and Kim Tae-seon; Government bill) - Reduction of the separate taxation rate on private pension income received in the form of lifetime annuities (Bill proposed by Reps. Lim Gwang-hyeon, and Kim Yeong-jin; Government bill) - Reduction of the withholding tax rate upon receiving deferred retirement income as a pension (Bill proposed by Reps. Sin Yeong-dae, and Kim Yeong-jin; Government bill)

Development Tax, which was not designated as an ancillary bill to the revenue budget bill, underwent a systematic and word-by-word review and was passed at the 1st plenary session of the Legislation and Judiciary Committee during the 430th Extraordinary Session (Dec. 10, 2025), and referred to the plenary session as of the publication date (Dec. 17, 2025).

4) Article 85-3 (Automatic Referral of Budget Bills, etc. to the Plenary Session) of the National Assembly Act ① The committee shall complete the evaluation of the budget bill, the fund management plan bill, and the ceiling bill for build-transfer-lease projects (hereinafter referred to as "budget bills, etc.") and the ancillary bills to the revenue budget bill designated pursuant to Paragraph 4 by November 30 of each year.
② If the committee fails to complete the evaluation of the budget bills, etc. and the ancillary bills to the revenue budget bill designated pursuant to Paragraph 4 (including bills referred to the Legislation and Judiciary Committee for systematic and word-by-word review) by the deadline under Paragraph 1, the evaluation by the committee shall be deemed completed on the following day, and the bills shall be deemed to have been immediately referred to the plenary session. However, this shall not apply if the Speaker reaches an agreement with the representative members of each negotiation group.

5) Meanwhile, the Public Administration and Security Committee of the National Assembly evaluated and resolved 4 local tax-related bills, including the Framework Act on Local Taxes, the Local Tax Collection Act, the Local Tax Act, and the Act on Restriction on Special Cases Concerning Local Taxation, on December 16, and as of the publication date (December 17, 2025), they are currently pending at the Legislation and Judiciary Committee for Systematic and Word-by-word Review.

Name of Law (Number of Deliberation Items)	Main Contents
	- Expansion of the scope of exclusion from the application of capital gains tax carryover taxation (Bill by Rep. Choe Eun-seok; Government bill) - Raising the non-taxable limit for childcare-related benefits, etc. (Bill proposed by Reps. Jeong Il-yeong, Jeong Seong-ho, Yun Ho-jung, Jeon Jae-su, Yun Jun-byeong, Lee Su-jin, Han Ji-a, Chu Gyeong-ho, and Seo Yeong-gyo; Government bill) - Upward adjustment of the basic deduction amount for personal deduction (Bill proposed by Reps. Lim Gwang-hyeon, Sin Yeong-dae, Seo Yeong-gyo, Jeong Il-yeong, Song Eon-seok, Kim Seung-su, Jo In-cheol, Yun Jun-byeong, and Kim Ju-yeong) - Establishment of a special tax credit for care service expenses for pre-school children, etc. (Bill proposed by Reps. Gang Seung-gyu, Jeong Il-yeong, Baek Seung-a, and Lee Jun-seok) - Establishment of a tax credit for mobile communication service fees, etc. (Bill proposed by Reps. Seo Yeong-gyo, Jo Seung-rae, Lee Won-taek, Lee Hae-min, and Yu Dong-su)
Corporate Tax Act (22 items)	- Adjustment of the Corporate Tax Base and tax rates (Bill proposed by Reps. Kim Mi-ae, Kim Gi-pyo, An Do-geol, Choe Eun-seok, Yun Jun-byeong, and Yun Jong-o; Government bill) - Supplementation of the consolidated taxation system, etc. (Bill proposed by Rep. Cheon Ha-ram; Government bill) - Adjustment of the dividend gross-up rate for the adjustment of double taxation on dividend income (Government bill) - Raising the limit on inclusion in deductible expenses for general donations to social enterprises (Government bill) - Relaxation of the requirements for non-inclusion in gross income of dividend income received by domestic corporations (Bill proposed by Reps. Choe Eun-seok and Park Min-gyu) - Strengthening the requirements for inclusion in deductible expenses for personnel expenses of executives (Bill proposed by Rep. Cha Gyu-geun) - Rationalization of the application method for the foreign tax credit on indirect investments (Government bill)
Inheritance Tax and Gift Tax Act (36 items)	- Addition of transactions with the controlling shareholder themselves to the scope of constructive gifts of profits through transactions with specific corporations (Bill proposed by Rep. Cha Gyu-geun; Government bill) - Inclusion of stock transactions through a multilateral trading facility in the reasons for exclusion from the presumption of gift for property transferred to a spouse, etc. (Government bill) - Expansion of the scope of contributed property subject to post-management for public interest corporations (Government bill) - Transition to an inheritance acquisition tax (Government bill)

Name of Law (Number of Deliberation Items)	Main Contents
	- Adjustment of the tax base brackets and tax rates for inheritance and gift taxes (Bill proposed by Reps. Eom Tae-yeong, Gwon Seong-dong, Park Chung-gwon, Yu Sang-beom, Choe Eun-seok, and Park Su-min) - Raising the inheritance deduction amount (Bill proposed by Reps. Kim Eun-hye, An Do-geol, Jeong Il-yeong, Gwon Seong-dong, Park Seong-jun, and Lee Jong-uk) - Non-taxation on gifts between spouses (Bill proposed by Rep. Choe Eun-seok)
Value-Added Tax Act (7 items)	- Expansion of the scope of the obligation to submit cash sales statements (Government bill) - Exemption of value-added tax on express buses (Bill proposed by Reps. An Do-geol and Jeong Jun-ho) - Strengthening sanctions against the issuers and receivers of fictitious tax invoices (Bill proposed by Rep. Choe Eun-seok)
Individual Consumption Tax Act (5 items)	- Temporary reduction and exemption of individual consumption tax on synthetic nicotine (Bill proposed by Rep. Kim Yeong-hwan) - Simplification of the procedures for deduction and refund of individual consumption tax upon disposal of tobacco (Bill proposed by Rep. Kim Yeong-hwan; Government bill) - Exemption from individual consumption tax on heavy oil for raw materials (Bill proposed by Reps. Jeong Tae-ho, Choe Eun-seok, and Park Seong-hun)
Comprehensive Real Estate Holding Tax Act (7 items)	- Addition of target houses subject to additional collection of comprehensive real estate holding tax upon failure to meet the requirements for exclusion from aggregation (Government bill) - Expansion of the scope of application of the material tax liability for trust property (Government bill) - Reduction of the deduction amount and increase of the tax rate for the comprehensive real estate holding tax on land (Bill proposed by Rep. Cha Gyu-geun)
Framework Act on National Taxes (6 items)	- Expansion of the targets for regular mail delivery of tax payment notices (Bill proposed by Rep. Park Dae-chul; Government bill) - Refinement of the penalty tax system for delayed payment (Government bill) - Inclusion of grievance applicants in the targets of support by public-appointed tax representatives (Bill proposed by Rep. Jeong Tae-ho; Government bill)
National Tax Collection Act (3 items)	- Establishment of basis provisions for fact-finding surveys on tax delinquents (Government bill) - Establishment of grounds for entrusting the sale of virtual assets (Bill proposed by Rep. Kim Yeong-jin; Government bill)
Customs Act (17 items)	- Strengthening the joint tax liability of purchasing agents for overseas direct purchases (Government bill)

Name of Law (Number of Deliberation Items)	Main Contents
	- Extension of the period for reduction and exemption of customs duties on goods subject to tariff imbalance under the Agreement on Trade in Civil Aircraft for non-SMEs, etc. (Bill proposed by Reps. Park Su-yeong, Jin Seong-jun, and Jeong Tae-ho) - Expansion of the submission of actual delivery addresses for consigned goods (Bill proposed by Rep. Jeong Tae-ho; Government bill) - Expansion of the scope of requests for information provision related to illegal, defective, and harmful goods (Bill proposed by Rep. Cha Gyu-geun; Government bill) - Clarification of the basis for physical searches of persons suspected of concealing narcotics, harmful goods, etc. (Bill proposed by Rep. Kim Yeong-jin; Government bill) - Exemption from customs duties on the import of medicines for patients with rare and incurable diseases (Bill proposed by Reps. Gang Seon-u and Jeong Tae-ho)
Adjustment of International Taxes Act (14 items)	- Addition of documents to be submitted for claims for rectification following the adjustment of arm's length prices (Government bill) - Addition of investment trusts, etc. to the targets for issuance of certificates of residence (Government bill) - Supplementation of the global minimum tax system (Government bill)
Education Tax Act (6 items)	- Establishment of tax base brackets and the highest tax rate for financial and insurance business operators, etc. (Bill proposed by Reps. Yun Yeong-seok and Park Su-yeong; Government bill) - Allowance of the aggregation of profits and losses from securities in the tax base (revenue amount) of financial and insurance business operators (Bill proposed by Reps. Park Su-yeong and Choe Eun-seok) - Clarification of the definition of revenue amount as the amount recorded as revenue according to accounting standards (Bill proposed by Rep. Choe Eun-seok) - Maintenance of the current tax rate on profits from swap transactions with the Bank of Korea (Government bill)
Act on Restriction on Special Cases Concerning Taxation (171 items)	[Income Tax Sector] - Expansion of tax credits for Hometown Love Donations, etc. (Bill proposed by Reps. Lee Man-hui, Bok Gi-wang, Kim Tae-ho, and Jeong Hui-yong; Government bill) - Increase of credit card income deduction rates and deduction limits, etc. (Bill proposed by Reps. Han Jeong-ae, Lee Su-jin, Chu Gyeong-ho, and Yang Bu-nam; Government bill) - Extension of the application period for special taxation on investments and deposits in cooperatives, etc. (Bill proposed by Reps. Lee Man-hui, Ju Cheol-hyeon, Lim O-gyeong, Yun Jun-byeong, Lee Yang-su, Park Hui-seung, etc.; Government bill) and introduction of

Name of Law (Number of Deliberation Items)	Main Contents
	low-rate separate taxation for associate members (Government bill) - Establishment of separate taxation on dividend income (Bill proposed by Reps. Park Su-yeong, Lee So-yeong, Yu Sang-beom, An Do-geol, Kim Hyeon-jeong, Cha Gyu-geun, Lim I-ja, Yun Yeong-seok, Choe Eun-seok, Park Su-min, and Park Seong-hun; Government bill) - Extension of the application period for special taxation on non-taxable comprehensive savings, etc. (Bill proposed by Reps. Song Seok-jun, Lee Jong-uk, Seo Yeong-gyo, Lee Man-hui, Chu Gyeong-ho, and Yun Jun-byeong; Government bill) - Income tax reduction and exemption for workers in Opportunity and Development Zones (Bill proposed by Rep. An Do-geol) - Non-taxation on Youth Future Installment Savings (Bill proposed by Rep. Jeong Tae-ho) [Corporate Tax Sector] - Addition of dividends to the targets for recirculation under the tax system for facilitating investment and mutually beneficial cooperation, etc. (Bill proposed by Rep. Park Su-min; Government bill) - Introduction of a tax system to promote domestic production of strategic industries, etc. (Bill proposed by Reps. Kim Tae-nyeon, Jeong Il-yeong, Jin Seong-jun, An Do-geol, Sin Yeong-dae, Jeong Tae-ho, Kim Eun-hye, Kim Sang-hun, Park Ji-hye, Park Seong-min, Choe Eun-seok, and Yun Yeong-seok) - Extension of the application period for the tax system supporting regional relocation and expansion of the tax reduction and exemption period (Bill proposed by Reps. Yun Jun-byeong, Han Byeong-do, Kim Jeong-jae, Kim Hyeong-dong, Gwon Yeong-jin, Yun Yeong-seok, Chu Gyeong-ho, Seo Yeong-gyo, Gang Myeong-gu, and Ju Jin-u; Government bill) - Extension of the application period for the tax credit for investments in venture enterprises, etc. by domestic corporations and increase in the deduction rate, etc. (Bill proposed by Reps. Lee In-seon, Yun Jun-byeong, Cheon Ha-ram, Chu Gyeong-ho, and An Do-geol; Government bill) - Expansion of the targets for the tax credit for video content production costs (Bill proposed by Reps. Min Hyeong-bae, Jeong Seong-ho, Chung Yeon-uk, Park Seong-hun, Jo Seung-rae, and Kim Seung-su; Government bill) - Comprehensive reorganization of the integrated employment tax credit, such as the introduction of a structure to increase the deduction amount for long-term employment and the refinement of post-collection regulations (Government bill) - Adjustment of the tax base brackets and tax rates for the special taxation on corporate tax for cooperative corporations, etc. (Bill

Name of Law (Number of Deliberation Items)	Main Contents
	proposed by Rep. Yun Yeong-seok; Government bill) - Reorganization of the tax credit system for shipper companies certified as excellent ship-owners and shippers (Bill proposed by Reps. Park Seong-hun, Lee Byeong-jin, and Yun Jun-byeong; Government bill) [Consumption Tax, Asset Tax, and Other Sectors] - Establishment of special cases concerning the extinguishment of the obligation to pay arrears for livelihood-type delinquents (Bill proposed by Rep. Jeong Tae-ho) - Extension of the application period for the reduction and exemption of the transportation, energy, and environment tax on diesel for coastal cargo ships (Bill proposed by Reps. Yun Jun-byeong, Lee Byeong-jin, and Seo Yeong-gyo; Government bill) - Extension of the application period for value-added tax exemption on greenhouse gas emission permits (Bill proposed by Reps. Yun Jun-byeong and Chu Gyeong-ho; Government bill) - Extension of the application period for zero-rating and exemption of value-added tax on the supply and import of agricultural and fishery equipment, etc. (Bill proposed by Reps. Seo Yeong-gyo, Eom Tae-yeong, Kim Yeong-jin, Lee Won-taek, Lee Byeong-jin, Song Ok-ju, Sin Yeong-dae, Chu Gyeong-ho, Choe Eun-seok, etc.; Government bill) - Establishment of the obligation to prepare a statement of tax expenditure settlement (Bill proposed by Reps. Kim Yeong-hwan and Jeong Seong-ho) - Exemption of value-added tax on the import of medicines for patients with rare and intractable diseases (Bill proposed by Rep. Gang Seon-u)
Liquor Tax Act (1 item)	- Establishment of a new liquor category for mixed liquor and provision of grounds for tax rate application (Bill proposed by Reps. An Do-geol and Park Su-yeong)
Act on Special Rural Development Tax (1 item)	- Non-taxation of the special tax for rural development on the special exemption from interest income tax for the Youth Future Savings Account (Bill proposed by Rep. Jeong Tae-ho)

Note: Summary of major agenda items by each act

2 Progress of Deliberation

a. Committee Review

(1) Review by the Competent Standing Committee: Economy and Finance Committee

□ (Introduction of bills) A total of 500 national tax-related bills newly introduced and referred to the Tax Subcommittee

- The 6th Plenary Session of the Strategy and Finance Committee of the 429th National Assembly (Regular Session) (Nov. 12, 2025), 500 bills introduced

□ (Subcommittee review) Review of a total of 795 bills (14 government bills, 781 member bills), including newly introduced and referred bills and bills previously pending in the Tax Subcommittee

- Tax Subcommittee convened a total of 7 times
  - Nov. 12 (Wed), Nov. 18 (Tue), Nov. 20 (Thu), Nov. 24 (Mon), Nov. 25 (Tue), Nov. 26 (Wed), Nov. 30 (Sun)

[Table 2] Status of Amendment Bills of National Tax-related Tax Acts Subject to Evaluation in the 2025 Regular Session

<table>
<tr><th rowspan="2">Laws Subject to Evaluation</th><th colspan="2">Number of Amendment Bills</th><th rowspan="2">Laws Subject to Evaluation</th><th colspan="2">Number of Amendment Bills</th></tr>
<tr><th>Government Bill</th><th>Member Bill</th><th>Government Bill</th><th>Member Bill</th></tr>
<tr><td>Framework Act on National Taxes</td><td>2</td><td>16</td><td>Education Tax Act</td><td>1</td><td>5</td></tr>
<tr><td>National Tax Collection Act</td><td>1</td><td>4</td><td>Act on Restriction on Special Cases Concerning Taxation</td><td>1</td><td>485</td></tr>
<tr><td>Income Tax Act</td><td>1</td><td>137</td><td>Customs Act</td><td>1</td><td>22</td></tr>
<tr><td>Inheritance Tax and Gift Tax Act</td><td>2</td><td>47</td><td>Act on Special Rural Development Tax</td><td>-</td><td>3</td></tr>
<tr><td>Corporate Tax Act</td><td>1</td><td>23</td><td>Individual Consumption Tax Act</td><td>1</td><td>7</td></tr>
<tr><td>Comprehensive Real Estate Holding Tax Act</td><td>1</td><td>11</td><td>Liquor Tax Act</td><td>-</td><td>3</td></tr>
<tr><td rowspan="2">Adjustment of International Taxes Act</td><td rowspan="2">1</td><td rowspan="2">1</td><td>Value-Added Tax Act</td><td>1</td><td>17</td></tr>
<tr><td>Total</td><td>14</td><td>781</td></tr>
</table>

Notes: 1. Based on the agenda of the Tax Subcommittee in November of the 2025 Regular Session
2. Liquor License Act was included in the agenda of the Tax Subcommittee and introduced on Nov. 25, but excluded from the number of bills as the actual review did not take place
Source: Prepared by the National Assembly Budget Office

□ (Resolution of bills) Consecutive convening of the Tax Subcommittee and the plenary session on November 30, resolution of 11 national tax-related bills reflecting the review results of the Tax Subcommittee and the agreements between the ruling and opposition party secretaries, and referral to the Legislation and Judiciary Committee

◦ (Passing of a substituted bill: 8 cases) Framework Act on National Taxes, National Tax Collection Act, Income Tax Act, Value-Added Tax Act, Act on Restriction on Special Cases Concerning Taxation, Individual Consumption Tax Act, Customs Act, Act on Special Rural Development Tax

◦ (Passing of an original bill: 2 cases) Inheritance Tax and Gift Tax Act, Adjustment of International Taxes Act

◦ (Passing of an amended bill: 1 case) Comprehensive Real Estate Holding Tax Act

[Table 3] Review Results of National Tax-related Bills by the Strategy and Finance Committee

No.	Title of Bill	Evaluation Target Agenda	Review Result[1]	Remarks[2]
1	Partial Amendment Bill of the Framework Act on National Taxes	6	Passing of a Substituted Bill	Member bill (2) + Government bill (1)
2	Partial Amendment Bill of the National Tax Collection Act	3	Passing of a Substituted Bill	Member bill (1) + Government bill (1)
3	Partial Amendment Bill of the Income Tax Act	42	Passing of a Substituted Bill	Member bill (31) + Government bill (1)
4	Partial Amendment Bill of the Value-Added Tax Act	7	Passing of a Substituted Bill	Member bill (2) + Government bill (1)
5	Partial Amendment Bill of the Inheritance Tax and Gift Tax Act	36	Passing of the Original Bill	Government bill
6	Partial Amendment Bill of the Act on Restriction on Special Cases Concerning Taxation	172	Passing of a Substituted Bill (Act on Restriction on Special Cases Concerning Taxation)	Member bill (245) + Government bill (1)
	Partial Amendment Bill of the Liquor Tax Act[3]	1		
7	Partial Amendment Bill of the Comprehensive Real Estate Holding Tax Act	7	Passing of an Amended Bill	Government bill
8	Partial Amendment Bill of the Individual Consumption Tax Act	5	Passing of a Substituted Bill	Member bill (2) + Government

No.	Title of Bill	Evaluation Target Agenda	Review Result[1)]	Remarks[2)]
				bill (1)
9	Partial Amendment Bill of the Act on Special Rural Development Tax	1	Passing of a Substituted Bill	Member bill (2)
10	Partial Amendment Bill of the Customs Act	17	Passing of a Substituted Bill	Member bill (11) + Government bill (1)
11	Partial Amendment Bill of the Adjustment of International Taxes Act	14	Passing of the Original Bill	Government bill
12	Partial Amendment Bill of the Corporate Tax Act	22	Pending	Automatic referral to plenary session (Government bill)
13	Partial Amendment Bill of the Education Tax Act	6	Pending	

Notes: 1) Among the review results, "Pending" refers to bills that have not been resolved by the Strategy and Finance Committee, and among these, bills designated as ancillary to the revenue budget bill are automatically referred to the plenary session.

2) The numbers in parentheses indicate the number of bills discarded as they are reflected in a substituted bill.

3) The review result for the Partial Amendment Bill of the Liquor Tax Act is reflected in the Partial Amendment Bill of the Act on Restriction on Special Cases Concerning Taxation (Substituted Bill).

(2) Systematic and Word-by-word Review: Legislation and Judiciary Committee

☐ Out of 11 national tax-related bills passed by the Strategy and Finance Committee, 10 bills were designated as ancillary bills to the revenue budget bill or drafted as substituted bills for the designated bills; as the review period (Nov. 30) expired, they were automatically referred to the plenary session on December 1, and thus did not undergo the systematic and word-by-word review by the Legislation and Judiciary Committee.

◦ The Partial Amendment Bill of the Act on Special Rural Development Tax (Substituted Bill) does not correspond to a substituted bill drafted for a bill designated as an ancillary bill to the revenue budget bill, thus it is not automatically referred to the plenary session and is subject to the systematic and word-by-word review by the Legislation and Judiciary Committee.

☐ The Partial Amendment Bill of the Act on Special Rural Development Tax (Substituted Bill) underwent the systematic and word-by-word review and was passed at the 1st plenary session of the Legislation and Judiciary Committee during the 430th extraordinary session (2025.12.10.), and was referred to the plenary session (2025.12.17.).

☐ As local tax-related bills, 4 bills passed by the Public Administration and Security Committee are pending in the Legislation and Judiciary Committee (2025.12.17.).

◦ The Partial Amendment Bill of the Framework Act on Local Taxes (Substituted Bill), the Partial Amendment Bill of the Local Tax Collection Act (Substituted Bill), the Partial Amendment Bill of the Local Tax Act (Substituted Bill), the Partial Amendment Bill of the Act on Restriction on Special Cases Concerning Local Taxation (Substituted Bill)

b. Designation of Ancillary Bills to the Revenue Budget Bill

□ A total of 24 bills were requested to be designated as ancillary bills to the 2026 revenue budget bill, of which 19 are national tax-related bills.

◦ The 19 national tax-related bills consist of the Partial Amendment Bill of the Income Tax Act, the Partial Amendment Bill of the Corporate Tax Act, and other bills, totaling 11 tax act amendment bills submitted by the Government, and the Partial Amendment Bill of the Act on Restriction on Special Cases Concerning Taxation, and other bills, totaling 8 tax act amendment bills proposed by members.

◦ The remaining 5 bills are non-tax bills submitted by the Government and proposed by members, which include the extension of the application period for special cases concerning national property (such as reduction or exemption of usage fees), the establishment of a special account for infants and toddlers, and the allocation of education tax resources such as the reorganization of the special account for higher and lifelong education support.

□ Of the bills requested for designation on November 28, 16 bills were designated as ancillary bills to the 2026 revenue budget, 12 of which are national tax-related bills.

◦ The national tax-related bills consist of 11 tax act amendment bills submitted by the government, including the the Partial Amendment Bill of the Income Tax Act and the Partial Amendment Bill of the Corporate Tax Act, and 1 tax act amendment bill proposed by a member, such as the Partial Amendment Bill of the Individual Consumption Tax Act.

◦ The non-tax bills are 4 in total, including 3 member-proposed bills related to special accounts, such as the Special Account for Infants and Toddlers Bill, the Partial Amendment Bill of the Special Account for Higher and Lifelong Education Support Act, and the Partial Amendment Bill of the National Finance Act, and 1 government-submitted bill related to special cases concerning state properties, such as the Partial Amendment Bill of the Act on Restriction of Special Cases Concerning State Property.

□ As the bills designated as ancillary bills to the revenue budget exceeded the review deadline (Nov. 30) set by the National Assembly Act, they were automatically referred to the plenary session on the following day, December 1.

◦ The Partial Amendment Bill of the Income Tax Act, the Partial Amendment Bill of the Individual Consumption Tax Act , and other government-submitted and member-proposed tax act amendment bills, as well as the Special Account for Infants and Toddlers Bill, totaling 16 bills (12 of which are national tax-related bills), were automatically referred to the plenary session.

－(National tax-related ancillary bills to the revenue budget) For 10 national tax-related bills resolved (Nov. 30) by the Strategy and Finance Committee of the National Assembly, including the Partial Amendment Bill of the Income Tax Act (Substituted Bill), the Partial Amendment Bill of Act on Restriction on Special Cases Concerning Taxation (Substituted Bill), and the Partial Amendment Bill of the Comprehensive Real Estate Holding Tax Act (Revised Bill), the committee's resolved bills were automatically referred to the plenary session, while for the Partial Amendment Bill of the Corporate Tax Act and the Partial Amendment Bill of the Education Tax Act, which were not resolved by the Strategy and Finance Committee due to a lack of bipartisan agreement on contentious issues, the Government bills were automatically referred to the plenary session.

[Table 4] Status of Designation Requests and Designation Results for Ancillary Bills to the Revenue Budget for 2026

No.	Bill Name	Bill No.	Proposer	Competent Committee	Designation Status
1	Partial Amendment Bill of the Act on Restriction on Special Cases Concerning Taxation*	8885	Rep. Jeong Il-yeong and 10 others	Strategy and Finance Committee	×
2	Partial Amendment Bill of the Act on Restriction on Special Cases Concerning Taxation*	9394	Rep. Jeong Il-yeong and 11 others	Strategy and Finance Committee	×
3	Partial Amendment Bill of the Act on Restriction on Special Cases Concerning Taxation*	9694	Rep. Kim Seong-won and 9 others	Strategy and Finance Committee	×
4	Partial Amendment Bill of the Corporate Tax Act*	12528	Rep. Yun Jong-o and 11 others	Strategy and Finance Committee	×
5	Partial Amendment Bill of the Framework Act on National Taxes*	12651	Government	Strategy and Finance Committee	○
6	Partial Amendment Bill of the National Tax Collection Act*	12652	Government	Strategy and Finance Committee	○
7	Partial Amendment Bill of the Act on Restriction on Special Cases Concerning Taxation*	12653	Government	Strategy and Finance Committee	○
8	Partial Amendment Bill of the Adjustment of International Taxes Act*	12654	Government	Strategy and Finance Committee	○
9	Partial Amendment Bill of the Income Tax Act*	12655	Government	Strategy and Finance Committee	○
10	Partial Amendment Bill of the Corporate Tax Act*	12656	Government	Strategy and Finance Committee	○

No.	Bill Name	Bill No.	Proposer	Competent Committee	Designation Status
11	Partial Amendment Bill of the Inheritance Tax and Gift Tax Act*	12657	Government	Strategy and Finance Committee	○
12	Partial Amendment Bill of the Comprehensive Real Estate Holding Tax Act*	12658	Government	Strategy and Finance Committee	○
13	Partial Amendment Bill of the Value-Added Tax Act*	12659	Government	Strategy and Finance Committee	○
14	Partial Amendment Bill of the Education Tax Act*	12660	Government	Strategy and Finance Committee	○
15	Partial Amendment Bill of the Customs Act*	12661	Government	Strategy and Finance Committee	○
16	Special Account for Infants and Toddlers Bill	13036	Rep. Mun Jeong-bok and 22 others	Education Committee	○
17	Partial Amendment Bill of the Act on Restriction of Special Cases Concerning State Property	13110	Government	Strategy and Finance Committee	○
18	Partial Amendment Bill of the Income Tax Act*	13143	Rep. Yun Jong-o and 9 others	Strategy and Finance Committee	×
19	Partial Amendment Bill of the Education Tax Act*	13420	Rep. Park Su-yeong and 9 others	Strategy and Finance Committee	×
20	Partial Amendment Bill of the Customs Act*	13669	Rep. Jeong Tae-ho and 10 others	Strategy and Finance Committee	×
21	Partial Amendment Bill of the Individual Consumption Tax Act*	13770	Rep. Kim Yeong-hwan and 9 others	Strategy and Finance Committee	○

No.	Bill Name	Bill No.	Proposer	Competent Committee	Designation Status
22	Partial Amendment Bill of the Special Account for Higher and Lifelong Education Support Act	13936	Rep. Kim Moon-su and 11 others	Education Committee	×
23	Partial Amendment Bill of the Special Account for Higher and Lifelong Education Support Act	14025	Rep. Go Min-jeong and 10 others	Education Committee	○
24	Partial Amendment Bill of the National Finance Act	14026	Rep. Go Min-jeong and 10 others	Strategy and Finance Committee	○

Note: * indicates tax-related bills.

c. Plenary Session Review and Resolution

□ 12 national tax-related bills automatically referred to the plenary session on December 1 were introduced to the 14th plenary session of the 429th National Assembly (Regular Session) on the following day, December 2.

◦ The Democratic Party of Korea and the People Power Party announced through the Agreement on the Processing of the 2026 Budget Bill (Dec. 2) that they would convene a plenary session on December 2 to process the 2026 Budget Bill and ancillary bills to the revenue budget bill.

◦ Various pros and cons debates took place during the review process for the national tax-related bills introduced to the plenary session as ancillary bills to the revenue budget bill.

– Pros and cons were raised focusing on issues that became contentious during the review process, such as the establishment of separate taxation on dividend income and the increase in corporate and education tax rates.

[Table 5] Main Details of the Pros and Cons Debate for the Plenary Session (Dec. 2) Related to the 2025 National Tax Bills

Bills Subject to Pros and Cons Debate	Main Details of Pros and Cons Debate
Partial Amendment Bill of the Act on Restriction on Special Cases Concerning Taxation (Substituted Bill)	[Cons Debate] - While the intent of the separate taxation system for dividend income, which aims to expand dividends by lowering taxes, is positive, domestic conglomerates have low stake ratios held by owner families (controlling shareholders), providing little incentive for them to expand dividends distributed proportionally to their stakes, thereby limiting the dividend expansion effect of separate taxation; structurally, tax reduction benefits from separate taxation are concentrated on high-income capitalists, which may exacerbate asset inequality. In addition, expanding dividends requires policies to increase stake ratios, such as improving corporate governance, rather than separate taxation on dividend income (Rep. Cha Gyu-geun). - Benefits from the separate taxation on dividend income are concentrated on a very small top-tier group, and as a tax cut for the wealthy, no alternative revenue measures have been proposed to offset the resulting tax revenue decrease, raising

Bills Subject to Pros and Cons Debate	Main Details of Pros and Cons Debate
	concerns about weakened fiscal soundness. Furthermore, the establishment of a new tax bracket exceeding 5 billion won tends to weaken the progressivity and redistribution functions of the comprehensive income tax system. Policies need to be redesigned so that the benefits of the system practically return to individual investors (Rep. Jeon Jong-deok). [Pros Debate] - It is necessary to examine the separate taxation of dividend income in terms of the fairness and effectiveness of resource allocation. Major shareholders can monopolize corporate surplus profits through high wages or capital gains on stocks in addition to dividends. The separate taxation of dividend income is intended to increase the dividend incentives for major shareholders to induce dividend expansion so that surplus funds can also be distributed to general shareholders, and this structure is rather just. In addition, it is necessary to consider that the Strategy and Finance Committee's substituted bill applies a lower tax rate only when dividends are expanded (Rep. Lee So-yeong).
Partial Amendment Bill of the Corporate Tax Act (Submitted by the Government)	[Cons Debate] - Raising the corporate tax rate across all tax base brackets increases the burden on SMEs and small business owners suffering from minimum wage increases and economic downturns, and lowers domestic investment incentives for large corporations. Currently, Korea's corporate tax rate is relatively high compared to the OECD, G7, etc., and if only Korea raises its tax rate amid the global trend of lowering corporate tax rates, it may weaken domestic tax competitiveness, leading to problems such as a decrease in foreign direct investment. For economic growth, it is necessary to create an environment where companies can pay taxes by lowering tax rates to increase their willingness to innovate and enable them to create more value (Rep. Park Seong-hun). [Pros Debate] - An increase in the corporate tax rate is necessary for the following reasons. First, in the current situation where recent tax revenue shortfalls and the need for an active fiscal role are emphasized, expanding a stable tax revenue base through tax rate increases is required. Second, countries around the world are flexibly operating tax policies in accordance with economic conditions. The UK and others have recently raised their corporate tax rates. Third, Korea's

Bills Subject to Pros and Cons Debate	Main Details of Pros and Cons Debate
	growth potential can be increased if the effects of fiscal support are maximized, such as by supporting corporate competitiveness through the support of high-tech industries like AI with the financial resources secured from the tax rate increase. In addition, it is necessary to consider that the effective corporate tax rate is low due to various deduction and exemption systems (Rep. Jeong Il-yeong).
Partial Amendment Bill of the Education Tax Act (Submitted by the Government)	[Cons Debate] - The government and the ruling party maintain the position to increase the education tax rate on the financial and insurance industries citing a lack of financial resources and promote national tasks such as "creating 10 Seoul National Universities" with the secured financial resources, but the financial sector was notified of the tax rate increase plan without clear taxation grounds. The financial and insurance industries explained the situation of deteriorating profitability and financial soundness due to the tax rate increase and proposed improvement measures, but they were not accepted. As the education-related special account, to which the education tax for the financial and insurance industries is allocated, is maintained temporarily for five years, it is necessary to set a five-year sunset period for the education tax rate increase and examine its effectiveness. This tax rate increase will deteriorate the competitiveness of the sector, and the tax burden will be passed on to consumers (Rep. Gang Myeong-gu). [Pros Debate] - In order to strengthen national competitiveness in response to the technological hegemony competition such as AI, it is necessary to enhance the qualitative level of higher education by expanding investment in universities, which requires securing stable education finances through an education tax rate increase. Meanwhile, although the value added created by the financial and insurance industries has significantly increased since 1981, the education tax rate remains unchanged, indicating a need for reform; as the application target under the government bill is limited to giant financial and insurance businesses, it is expected to improve tax equity. In addition, the ratio of the education tax amount to the net income of financial and insurance businesses is 3 to 4%, so the increase in burden due to the tax rate hike is expected to be insignificant (Rep. An Do-geol).

☐ The 12 national tax-related bills introduced to the plenary session on December 2 were passed on the same day along with the 2026 Budget Bill.

◦ The Partial Amendment Bill of the Income Tax Act, the Partial Amendment Bill of the Act on Restriction on Special Cases Concerning Taxation, , the Partial Amendment Bill of the Comprehensive Real Estate Holding Tax Act, and 7 other bills (10 bills in total) were passed as proposed and reviewed by the Strategy and Finance Committee.

◦ The Partial Amendment Bill of the Corporate Tax Act and the Partial Amendment Bill of the Education Tax Act, totaling 2 bills, were passed as submitted by the Government (original bills).

– Regarding the Partial Amendment Bill of the Corporate Tax Act and the Partial Amendment Bill of the Education Tax Act, no agreement was reached during the regular session on contentious issues such as the corporate tax rate hike and the education tax rate hike for financial and insurance businesses.

[Table 6] Results of the Plenary Session Review on National Tax-related Bills for 2025

No.	Title of Bill	Date of Resolution In the Plenary Session	Bills Introduced to the Plenary Session	Review Results
1	Partial Amendment Bill of the Framework Act on National Taxes	12.2.	Ancillary bills to the revenue budget bill (Substituted bill by the Strategy and Finance Committee)	Passed as proposed
2	Partial Amendment Bill of the National Tax Collection Act		Ancillary bills to the revenue budget bill (Substituted bill by the Strategy and Finance Committee)	Passed as proposed
3	Partial Amendment Bill of the Income Tax Act		Ancillary bills to the revenue	Passed as proposed

No.	Title of Bill	Date of Resolution In the Plenary Session	Bills Introduced to the Plenary Session	Review Results
			budget bill (Substituted bill by the Strategy and Finance Committee)	
4	Partial Amendment Bill of the Value-Added Tax Act		Ancillary bills to the revenue budget bill (Substituted bill by the Strategy and Finance Committee)	Passed as proposed
5	Partial Amendment Bill of the Inheritance Tax and Gift Tax Act		Ancillary bills to the revenue budget bill (Government bill)	Passed as proposed
6	Partial Amendment Bill of the Act on Restriction on Special Cases Concerning Taxation		Ancillary bills to the revenue budget bill (Substituted bill by the Strategy and Finance Committee)	Passed as proposed
7	Partial Amendment Bill of the Comprehensive Real Estate Holding Tax Act	12.2.	Ancillary bills to the revenue budget bill (Government bill)	Passed as amended
8	Partial Amendment Bill of the Individual Consumption Tax Act		Ancillary bills to the revenue budget bill (Substituted bill by the Strategy and Finance Committee)	Passed as proposed
9	Partial Amendment Bill of the Customs Act		Ancillary bills to the revenue budget bill (Substituted bill by the Strategy and Finance Committee)	Passed as proposed
10	Partial Amendment Bill of the Adjustment of International Taxes Act		Ancillary bills to the revenue budget bill	Passed as proposed

No.	Title of Bill	Date of Resolution In the Plenary Session	Bills Introduced to the Plenary Session	Review Results
			(Government bill)	
11	Partial Amendment Bill of the Corporate Tax Act	12.2.	Ancillary bills to the revenue budget bill (Government bill)	Passed as proposed
12	Partial Amendment Bill of the Education Tax Act		Ancillary bills to the revenue budget bill (Government bill)	Passed as proposed

3 Main Details of the Tax Act and Major Deliberation Issues

a. Main Details of the Tax Act

☐ Summary of the main amendment details by tax act in this section

◦ Refer to Chapter II for detailed amendment details on other agenda items.

☐ **(Income Tax Act)** Addition of special tax credit for education expenses for arts and physical education academy fees for lower elementary school grades, increase in the non-taxable limit for child care-related benefits, etc.

◦ Allows receiving a tax credit regardless of the income of the relevant person eligible for basic deduction when education expenses are paid for lineal descendants, etc. who are eligible for basic deduction, and includes arts and physical education academy fees (education expenses paid to academies teaching arts or physical education facilities) for elementary school students under 9 years of age or in the 2nd grade or lower in the targets of the education expense tax credit.

[Table 7] Main Amendment Details of
Targets for Special Tax Credit for Education Expenses

Item	Current	Amended
Eligible persons for tax credit	- Self and disabled persons (No age* and income requirements) * However, limited to under 18 years of age when paid to developmental rehabilitation service providers - Lineal descendants, etc. (Without age requirements and with income requirements*) * Total income amount of 1 million won (total salary of 5 million won) or less	- Self and disabled persons (Current) - Abolition of income requirements for lineal descendants, etc.
Eligible education expenses for tax credit	- Education expenses paid to kindergartens, elementary, middle, and high schools of each level, etc., education expenses paid to daycare centers, academies, or physical education facilities for preschool children, etc.	- (Added) Arts and physical education academy fees for elementary school students under 9 years of age or in the 2nd grade or lower

◦ Expands the non-taxable limit for child care allowance paid by companies to workers with children aged 6 or younger from 200,000 won per month to 200,000 won per month per child.

[Table 8] Main Amendment Details of Non-taxable Limit for Child Care Allowance

Item	Current	Amended
Targets for non-taxation	Child care-related benefits for worker's or spouse's children aged 6 or younger	(Same as left)
Non-taxable limit	200,000 won per month per worker	200,000 won per month per child

□ **(Act on Restriction on Special Cases Concerning Taxation − Income Tax Sector)** Establishment of special exception for separate taxation on dividend income for individual shareholders of high-dividend enterprises, 3-year extension of income deduction for credit cards, etc. and expansion of basic deduction limit proportional to the number of children, expansion of tax credit rate for hometown love donation, adjustment of non-taxable targets for interest and dividend income on mutual finance deposits and capital contributions, etc.

◦ Establishes a special exception for separate taxation on dividend income for individual shareholders of high-dividend enterprises, and applies separate taxation at a 4-tier progressive tax rate (14-30%) according to the scale of the special dividend income instead of comprehensive income tax on dividend income received by domestic residents from high-dividend enterprises meeting certain requirements.

[Table 9] Main Amendment Details on Special Exception for Separate Taxation on Dividend Income for Individual Shareholders of High-Dividend Enterprises

<table>
<tr><th>Item</th><th>Current</th><th>Amended</th></tr>
<tr><td>Target enterprises</td><td>(Newly established)</td><td>Stock-listed corporations* meeting ① or ②
① Dividend payout ratio of 40% or more
② Dividend payout ratio of 25% or more + dividend increase of 10% or more compared to the previous year
(However, no decrease in dividends compared to the 2024 business year)
* Excluding investment companies, etc.</td></tr>
<tr><td>Tax rate</td><td>(Newly established)</td><td><table><tr><th>Special dividend income</th><th>Tax rate</th></tr><tr><td>20 million won or less</td><td>14%</td></tr><tr><td>20 million won - 300 million won</td><td>20%</td></tr><tr><td>300 million won - 5 billion won</td><td>25%</td></tr><tr><td>More than 5 billion won</td><td>30%</td></tr></table></td></tr>
<tr><td>Application period</td><td>(Newly established)</td><td>From dividends paid in 2026 to dividend income attributable to the 2028 business year</td></tr>
</table>

◦ For agricultural, forestry, and fishery mutual finance (Nonghyup, Suhyup, Forestry Cooperative) members and low-income associate members, and credit union and Korean Federation of Community Credit Cooperatives low-income members and affiliates exclusively, extends the application period of non-taxation on interest and dividend income on deposits and capital contributions by 3 years, and applies low-rate separate taxation at 5% in 2026 and 9% from 2027, etc., for other associate members with total salary exceeding 70 million won.

– The low-income standard is total salary of 70 million won or comprehensive income amount of 60 million won or less

[Table 10] Main Amendment Details on Non-taxation on Interest and Dividend Income on Mutual Finance Deposits and Capital Contributions

<table>
<tr><th>Item</th><th>Current</th><th>Amended</th></tr>
<tr><td>Tax rate</td>
<td>(Special exception for taxation)
- Based on income generation period
<table>
<tr><td>Income Generation Period</td><td>Until Dec. 31, 2025</td><td>Jan. 1, 2026 - Dec. 31, 2026</td><td>From Jan. 1, 2027</td></tr>
<tr><td>Reduction and exemption Details</td><td>Non-taxable</td><td>5% separate taxation</td><td>9% separate taxation</td></tr>
</table>
</td>
<td>(Special exception for taxation)
- Based on product subscription date
① Members of agricultural, forestry, and fishery cooperatives, and subscribers with a total salary of 70 million won (comprehensive income of 60 million won) or less
<table>
<tr><td>Subscription Date</td><td>Until Dec. 31, 2028</td><td>Jan. 1, 2029 - Dec. 31, 2029</td><td>From Jan. 1, 2030</td></tr>
<tr><td>Reduction and exemption Details</td><td>Non-taxable</td><td>5% separate taxation</td><td>9% separate taxation</td></tr>
</table>
② Subscribers with total salary exceeding 70 million won (global income amount of 60 million won) (excluding members of agricultural, forestry, and fishery cooperatives)
<table>
<tr><td>Subscription Date</td><td>Until Dec. 31, 2025</td><td>Jan. 1, 2026 - Dec. 31, 2026</td><td>From Jan. 1, 2027</td></tr>
<tr><td>Reduction and exemption Details</td><td>Non-taxable</td><td>5% separate taxation</td><td>9% separate taxation</td></tr>
</table>
</td></tr>
</table>

◦ Extends the application period of income deduction for the amount spent on credit cards, etc. from 2025 to 2028, raises the current basic deduction limit of 3 million won by up to 1 million won (500,000 won per child) depending on the number of children for those with a total salary of 70 million won or less, and raises the current basic deduction limit of 2.5 million won by up to 500,000 won (250,000 won per child) depending on the number of children for those with a total salary exceeding 70 million won.

[Table 11] Main Amendment Details on
Income Deduction for the Amount Spent on Credit Cards, etc.

Item	Current	Amended
Basic deduction limit	- Total salary of 70 million won or less: 3 million won - Total salary exceeding 70 million won: 2.5 million won	- Total salary of 70 million won or less: 3.5 million won for 1 child, 4 million won for 2 or more children - Total salary exceeding 70 million won: 2.75 million won for 1 child, 3 million won for 2 or more children
Application period	Dec. 31, 2025	Dec. 31, 2028

◦ Raises the tax credit rate for the Hometown Love Donation amount exceeding 100,000 won and up to 200,000 won from 15% to 40%

[Table 12] Main Amendment Details on Tax Credit for Hometown Love Donation

Item	Current	Amended
Tax credit rate	- Hometown Love Donation amount of 100,000 won or less: 100/110 of the donation amount - Hometown Love Donation amount exceeding 100,000 won: 15% of the excess amount (however, 30% for special disaster areas)	- Hometown Love Donation amount of 100,000 won or less: 100/110 of the donation amount - Hometown Love Donation amount exceeding 100,000 won and 200,000 won or less: 40% of the corresponding bracket - Hometown Love Donation amount exceeding 200,000 won: 15% of the excess amount (however, 30% for special disaster areas)

☐ **(Corporate Tax Act)** Increase in corporate tax rates, etc.

◦ Raises the corporate tax rate, which is currently 9-24% by tax base bracket, by 1%p to 10-25%.

－Raises the corporate tax rate for small corporations subject to sincere reporting confirmation, which is currently 19-24%, by 1%p to 20-25%.

[Table 13] Main Amendment Details on Corporate Tax Rates

Item	Tax Base Bracket	Current		Amended	
		General Corporations	Small Corporations Subject to Sincere Reporting Confirmation	General Corporations	Small Corporations Subject to Sincere Reporting Confirmation
Tax rate (%)	200 million won or less	9	19	10	20
	200 million - 20 billion won	19		20	
	20 - 300 billion won	21	21	22	22
	Exceeding 300 billion won	24	24	25	25

□ **(Act on Restriction on Special Cases Concerning Taxation − Corporate Tax Area)** Extension of application period and revision of the Tax System for Facilitating Investment and Mutually Beneficial Cooperation, expansion of tax credit for video content production costs and establishment of tax credit for webtoon content production costs, revision of integrated employment tax credit and extension of application period, expansion of tax reduction and exemption for companies relocating to provincial areas, etc.

◦ Extends application period of and revised the Tax System for Facilitating Investment and Mutually Beneficial Cooperation.

− Adds dividends to the targets for corporate earnings circulation in addition to the current investment, wage increases, and mutually beneficial cooperation expenditures, raises the scope of corporate income subject to circulation, and extends the application period by 3 years from the end of 2025 to the end of 2028.

[Table 14] Main Amendment Details on
the Tax System for Facilitating Investment and Mutually Beneficial Cooperation

Tax Base	Current	Amended
Items subject to recirculation	Investment, wage increase, mutual cooperation expenditure	Dividends added
Income to be recirculated (Proportion to corporate income)	Investment-inclusive type: 60-80% Investment-exclusive type: 10-20%	Investment-inclusive type: 65-85% Investment-exclusive type: 20-40%
Application period	Dec. 31, 2025	Dec. 31, 2028

◦ Expands tax credit for video content production costs and establishes tax credit for webtoon content production costs.

－Raises the basic deduction rate for video content production costs of large corporations by 5%p, and establishes a tax credit for webtoon content production costs.

[Table 15] Main Amendment Details on
the Tax Credit for Video and Webtoon Content Production Costs

<table>
<tr><th>Item</th><th>Current</th><th>Revision</th></tr>
<tr><td>Video content tax credit rate (%)</td><td><table><tr><th></th><th>Basic credit (A)</th><th>Additional credit (B)</th><th>Maximum (A+B)</th></tr><tr><td>Large enterprise</td><td>5</td><td>10</td><td>15</td></tr><tr><td>Middle-market enterprise</td><td>10</td><td>10</td><td>20</td></tr><tr><td>SMEs</td><td>15</td><td>15</td><td>30</td></tr></table></td><td><table><tr><th></th><th>Basic credit (A)</th><th>Additional credit (B)</th><th>Maximum (A+B)</th></tr><tr><td>Large Enterprise</td><td>10</td><td>10</td><td>20</td></tr><tr><td>Middle-market enterprises</td><td>10</td><td>10</td><td>20</td></tr><tr><td>SMEs</td><td>15</td><td>15</td><td>30</td></tr></table></td></tr>
<tr><td>Application period</td><td>Dec. 31, 2025</td><td>Dec. 31, 2028</td></tr>
<tr><td>Webtoon content tax credit rate (%)</td><td>(Newly established)</td><td><table><tr><th></th><th>Credit rate</th></tr><tr><td>Large enterprise</td><td>10</td></tr><tr><td>Middle-market enterprises</td><td>10</td></tr><tr><td>SMEs</td><td>20</td></tr></table></td></tr>
<tr><td>Application period</td><td>(Newly established)</td><td>Dec. 31, 2028</td></tr>
</table>

◦ Reorganizes the integrated employment tax credit and extension of the application period.

− Introduces an incremental structure for the deduction amount proportional to the employment period, applies the tax credit only to the employment portion exceeding the minimum number of increased employees for middle-market and large enterprises, and extends the application period by 3 years from the end of 2025 to the end of 2028.

[Table 16] Main Amendment Details on the Introduction of the Incremental Structure for the Deduction Amount of the Integrated Employment Tax Credit

<table>
<tr><th>Item</th><th>Current</th><th>Amended</th></tr>
<tr><td>Deduction amount (KRW 10,000)</td><td>
<table>
<tr><td rowspan="3">Category</td><td colspan="4">Deduction amount</td></tr>
<tr><td colspan="2">SMEs (3 years)</td><td rowspan="2">Middle-market enterprise (3 years)</td><td rowspan="2">Large enterprise (2 years)</td></tr>
<tr><td>Seoul Metropolitan Area</td><td>Province</td></tr>
<tr><td>Basic</td><td>850</td><td>950</td><td>450</td><td>-</td></tr>
<tr><td>Preferential</td><td>1,450</td><td>1,550</td><td>800</td><td>400</td></tr>
</table>
</td><td>
<table>
<tr><td colspan="3">Category</td><td>Period (year)</td><td>Basic</td><td>Preferential</td></tr>
<tr><td rowspan="11">Deduction amount</td><td rowspan="6">SMEs</td><td rowspan="3">Seoul Metropolitan Area</td><td>1</td><td>400</td><td>700</td></tr>
<tr><td>2</td><td>900</td><td>1,600</td></tr>
<tr><td>3</td><td>1,000</td><td>1,700</td></tr>
<tr><td rowspan="3">Province</td><td>1</td><td>700</td><td>1,000</td></tr>
<tr><td>2</td><td>1,200</td><td>1,900</td></tr>
<tr><td>3</td><td>1,300</td><td>2,000</td></tr>
<tr><td colspan="2" rowspan="3">Middle-market enterprise</td><td>1</td><td>300</td><td>500</td></tr>
<tr><td>2</td><td>500</td><td>900</td></tr>
<tr><td>3</td><td>500</td><td>900</td></tr>
<tr><td colspan="2" rowspan="2">Large enterprise</td><td>1</td><td>-</td><td>300</td></tr>
<tr><td>2</td><td>-</td><td>500</td></tr>
</table>
※ Preferential: Youth, elderly, disabled, career-interrupted women, conversion to regular workers, etc.
</td></tr>
<tr><td>Application period</td><td>Dec. 31, 2025</td><td>Dec. 31, 2028</td></tr>
</table>

◦ Expansion of tax support for companies relocating to provinces, etc.

− Expands the tax reduction and exemption period for companies relocating to provinces, establishes a reduction and exemption limit proportional to cumulative investment and the number of employees working in the province, and introduces follow-up management regulations in the event of a decrease in the number of regular employees.

[Table 17] Main Amendment Details on the Expansion of the Tax Reduction and Exemption Period for Companies Relocating to Provinces

Item	Region	Reduction and Exemption Rate (%)	Current: Reduction and Exemption Period (Years) – Seoul Metropolitan Area	Current: Adjacent to Seoul Metropolitan Area	Current: Province Metropolitan City	Current: Medium-sized City	Current: Other Areas	Amended: Reduction and Exemption Period (Years) – Seoul Metropolitan Area	Amended: Adjacent to Seoul Metropolitan Area	Amended: Province Metropolitan City	Amended: Medium-sized City	Amended: Other areas
Reduction and exemption details	Underdeveloped	100	5	5	7	7	10	5	5	7	10	10
	Underdeveloped	50	2	2	3	3	2	3	3	4	5	5
	Other	100	-	5	5	5	7	-	5	5	5	7
	Other	50	-	2	2	2	3	-	3	3	3	4
	※Underdeveloped: Growth promotion regions, depopulation regions, employment and industrial crisis regions											
Application period			Dec. 31, 2025					Dec. 31, 2028				

☐ **(Education Tax Act)** Establishment of new tax base brackets, increase in tax rates for financial and insurance businesses, etc.

◦ Increases the tax rate from the current 0.5% to 1.0% for the bracket exceeding KRW 1 trillion in the revenue of financial and insurance businesses, which is the tax base for the education tax.

[Table 18] Main Amendment Details on the Establishment of New Tax Base Brackets and Increase in Tax Rates for Financial and Insurance Businesses

Category	Current	Amended
Increase in tax rates for financial and insurance businesses	- Tax rate: 0.5%	- Tax rate: 0.5% for revenue of KRW 1 trillion or less, 1% for revenue exceeding KRW 1 trillion

☐ **(Adjustment of International Taxes Act)** Introduction of domestic top-up tax related to the global minimum tax, etc.

◦ Introduces domestic top-up tax related to the global minimum tax.

– Introduces a domestic top-up tax to secure taxation rights over domestic constituent entities of multinational enterprise groups subject to an effective tax rate below the minimum tax rate (15%).

[Table 19] Main Amendment Details on the Introduction of the Domestic Top-up Tax

Item	Current	Amended
Target	(Newly established)	Domestic constituent entities of multinational enterprise groups subject to an effective tax rate below the minimum tax rate (15%) * Also applicable to flow-through entities※ registered for establishment in Korea among stateless constituent entities ※ Flow-through entity: An entity taxed at the level of its owners or members rather than at the entity level
Tax amount		[15% - Effective tax rate of domestic constituent entities] × Excess profit* + Additional current top-up tax * Amount excluding the substance-based income exclusion (calculated as a portion of the payroll costs and the net carrying value of tangible assets of constituent entities) from the net global minimum tax income
Domestic top-up tax allocation amount		Allocated by selecting between ① an allocation method proportional to the income size of each constituent entity for the relevant business year ② an autonomous allocation method based on an agreement among domestic constituent entities
Filing and payment, etc.		Filing and payment, determination, correction, notification, and collection applied in the same manner as the allocated top-up tax amount under the current Income Inclusion Rule and Undertaxed Profits Rule

□ (Other) Amendments to the Framework Act on National Taxes, National Tax Collection Act, Individual Consumption Tax Act, Customs Act, Inheritance Tax and Gift Tax Act, Comprehensive Real Estate Holding Tax Act, etc.

b. Major Deliberation Issues of the Tax Acts

(1) Overview

☐ Among the agenda items subject to review by the Tax Subcommittee of the Strategy and Finance Committee in 2025, the establishment of a special exception for separate taxation on dividend income for individual shareholders of high-dividend enterprises, adjustment of the scope of application of the special tax exception for mutual finance deposits and investments, increase in corporate tax rates, increase in education tax rates for financial and insurance businesses, introduction of a tax system to promote domestic production in strategic industries, etc., and transition of the inheritance tax taxation method became major issues; during the review process, it was agreed to modify the government bill for some of these amendments or to discuss them later, while for most of the other agenda items, it was agreed to follow government bill.

[Table 20] Agreed Results of Bills that Became Major Issues during the Review

Item	Pros	Cons	Agreed Results
Establishment of a special exception for separate taxation for individual shareholders of high-dividend enterprises	- Need to enhance the value of domestic companies by inducing the expansion of corporate dividends and to encourage investment inflows into the stock market	- Concerns that the distribution of dividend income is concentrated on high-income earners, which may undermine tax equity	- Application of a 35% tax rate for the bracket exceeding KRW 300 million under the government bill - Agreement during the review process to establish a new bracket exceeding KRW 5 billion, and to lower the tax rate to 25% for the bracket between KRW 300 million and KRW 5 billion, and to 30% for the bracket exceeding KRW 5 billion
Adjustment of the scope of	- Need to adjust the scope of	- Need for a cautious approach	- Definition of the low-income threshold as

Item	Pros	Cons	Agreed Results
application of the special tax exception for mutual finance deposits and capital contributions	application of the special tax exception, as the real interest level remains higher than that of the general banking sector despite the reduction in tax exemption benefits	considering factors such as the possibility of fund outflows to commercial banks upon the reduction of tax exemption benefits	total salary of KRW 50 million (global income of KRW 38 million) or less under the government bill - Agreement during the review process to relax the low-income threshold to a total salary of KRW 70 million (global income of KRW 60 million) or less
Increase in the corporate tax rate	- Pursuit of enhancing fiscal sustainability through the expansion of the revenue base - Lack of visible effects such as investment promotion at the time of the tax rate reduction in 2022	- Concerns about side effects such as the contraction of corporate economic activities and a decrease in domestic investment inflows due to the tax rate increase - Concerns that changing the tax rate at every change of administration may undermine legal stability	- Increase of the tax rate by 1%p for all brackets of the corporate tax base under the government bill - Failure to reach an agreement during the Tax Subcommittee period, resulting in the automatic referral and resolution at the plenary session of the original government bill designated as an ancillary bill to the revenue budget bill
Increase in the education tax rate for financial and insurance businesses	- Sufficient tax-bearing capacity of large financial companies with sales exceeding KRW 1 trillion	- Possibility of passing on the tax rate increase to financial consumers	- Increase of the tax rate by 0.5%p for the tax base bracket exceeding KRW 1 trillion under the government bill - Failure to reach an agreement during the Tax Subcommittee period, resulting in the automatic referral and resolution at the plenary session of the original government bill designated as an ancillary bill to the revenue budget bill

Item	Pros	Cons	Agreed Results
Introduction of tax incentives to promote domestic production in strategic industries, etc.	- Need to enhance international competitiveness in strategic industries through tax support	- Concerns that tax equity among industries may be undermined upon the introduction of an additional system, as a preferential deduction system for national strategic technologies already exists	- Re-discussion at a later date based on the results of the research service currently being conducted by the government
Transition of the inheritance tax taxation method	- Need to transition to an acquisition-based inheritance tax system that taxes the property acquired by the heir in accordance with the ability-to-pay principle	- Concerns about the weakening of the revenue base upon transitioning from the estate tax system to the acquisition-based inheritance tax system	- Re-discussion at a later date after seeking social consensus on the transition of the inheritance tax system through public hearings, etc., and preparing measures to minimize the reduction in tax revenue

(2) Review[1] Issues by Major Agenda Item

☐ Summary of major agenda items that had issues during the review process in this section, in the order of cases resolved with modifications as a result of discussions, cases resolved without modifications despite differences of opinion on the issues, and agenda items not resolved but agreed to be re-discussed at a later date

◦ (Major agenda items resolved with modifications to the issues) Establishment of a special exception for separate taxation of dividend income for individual shareholders of high-dividend enterprises, adjustment of the scope of application of the special tax exception for mutual finance deposits and capital contributions

◦ (Major agenda items resolved without modifications to the issues) Increase in the corporate tax rate, increase in the education tax rate for financial and insurance businesses

◦ (Major agenda items not revised but agreed to be re-discussed at a later date) Introduction of a tax system to promote domestic production, transition to an acquisition-based inheritance tax

◦ Separate summary of detailed revisions for other agenda items by tax item in Chapter II

☐ **Establishment of a special exception for separate taxation of dividend income for individual shareholders of high-dividend enterprises (income tax)**

◦ Related agenda

– Separate taxation of dividend income paid by high-dividend enterprises (Bill proposed by Reps. An Do-geol, Yu Sang-beom, Yun Yeong-seok, Lee So-yeong, Kim Hyeon-jeong, Park Seong-hun, and Cha Gyu-geun; Government bill)

– Separate taxation for enterprises expanding shareholder returns (including cancellation of treasury stocks) (Bill proposed by Rep. Park Su-yeong)

– Separate taxation of dividend income paid by differential dividend enterprises (Bill proposed by Rep. Cha Gyu-geun)

– Separate taxation of dividend income paid by all listed corporations (Bill proposed by Reps. Park Su-min, Lim I-ja, and Choe Eun-seok)

1) Summary of contents focusing on items with pros and cons discussed during the committee's review process

[Table 21] Comparison of Amendment Bills and Amendment Details on Separate Taxation of Dividend Income

Category	Current	Bill proposed by Rep. Park Su-yeong[1]	Bill proposed by Rep. An Do-geol[1]	Bill proposed by Rep. Yu Sang-beom[1]	Bill proposed by Rep. Yun Yeong-seok[2]
Enterprises subject to separate taxation	(Newly established)	Stock-listed corporations* meeting ①+② ①Value-up disclosure ②Increase in shareholder return amount** compared to the previous year + increase of 5% or more compared to the average of the previous 3 years *Excluding investment companies, etc. **Amount of dividends and treasury stock cancellation	Stock-listed corporations* meeting ① or ② ①Dividend payout ratio of 40% or more ②Dividend payout ratio of 20% or more + Dividend increase of 10% or more compared to the average of the previous 3 years *Excluding investment companies, etc. ※ Separate taxation on only 50% of dividend income	Stock-listed corporations* meeting ① or ② ①Dividend payout ratio of 30% or more ②Dividend increase of 5% or more compared to the average of the previous 3 years *Excluding investment companies, etc. ※ Major shareholders with a stake of 10% or more excluded from the special exception	Stock-listed corporations* meeting ① or ② ①Dividend payout ratio of 40% or more ②Dividend payout ratio of 25% or more + Dividend increase of 5% or more compared to the average of the previous 3 years *Including investment companies, etc.
Tax rate	(Newly established)	Category / Tax rate Withholding tax rate: 9% Taxpayers subject to global taxation: 25%	Special dividend income / Tax rate 20 million won or less: 9% Over 20 million won 300 million won or less: 20% Over 300 million won: 25%	Special dividend income / Tax rate 20 million won or less: 9% More than 20 million won 50 million won or less: 14% More than 50 million won: 20%	Special dividend income / Tax rate 20 million won or less: 14% More than 20 million won 300 million won or less: 20% More than 300 million won: 35%
Application period	(Newly established)	Dividend income received in 2026~2028	Dividend income received in 2026~2028	Dividend income received in 2026~2028	Dividend income received in or after 2026

Category	Bill proposed by Rep. Lee So-yeong[2]	Bill proposed by Rep. Kim Hyeon-jeong[2]	Bill proposed by Rep. Park Seong-hun[2]	Bill proposed by Rep. Park Su-min[2]	Bill proposed by Rep. Lim I-ja[2]
Companies subject to separate taxation	Stock-listed corporations* with a dividend payout ratio of 35% or more	Stock-listed corporations* meeting ① or ② ①Dividend payout ratio of 35% or more	Stock-listed corporations* meeting ① or ② or ③ ①Dividend payout ratio of	Stock-listed corporation* *Excluding investment companies, etc.	Stock-listed corporation* *Excluding investment companies, etc.

	*Excluding investment companies, etc.	②Dividend payout ratio of 25% or more + dividend increase of 5% or more compared to the average of the previous 3 years or the previous year *Excluding investment companies, etc.	35% or more ②Dividend payout ratio of 25% or more + Dividend increase of 3% or more compared to the previous 3-year average or the previous year ③Net income of 0 or less *Excluding investment companies, etc.		
Tax rate	Special dividend income / Tax rate 20 million won or less: 14% More than 20 million won 300 million won or less: 20% More than 300 million won: 25%	Special dividend income / Tax rate 20 million won or less: 9% More than 20 million won 300 million won or less: 20% More than 300 million won: 25%	Special dividend income / Tax rate 20 million won or less: 14% More than 20 million won 300 million won or less: 20% More than 300 million won: 25%	Special dividend income / Tax rate 20 million won or less: 14% More than 20 million won 300 million won or less: 20% More than 300 million won: 25%	Special dividend income / Tax rate 20 million won or less: 9% More than 20 million won 300 million won or less: 20% More than 300 million won: 25%
Application period	Dividend income received in or after 2026	Dividend income received in or after 2026	Dividend income received in or after 2026	Dividend income received in or after 2026	Dividend income received in or after 2026

Category	Bill proposed by Rep. Choe Eun-seok[2]	Bill proposed by Rep. Cha Gyu-geun[1]	Government bill[1]	Amended[1]
Companies subject to separate taxation	Stock-listed corporations* *Excluding investment companies, etc., including funds investing 60% or more in listed corporations	Stock-listed corporations meeting ①+② ①5% or more increase in dividends compared to the average of the previous 3 years ②Dividends of minority shareholders* that are 1.5 times or more compared to those of the largest shareholder, etc. * Shareholding ratio of less than 1% +	Stock-listed corporations* meeting ① or ② ①Dividend payout ratio of 40% or more ②Dividend payout ratio of 25% or more + 5% or more increase in dividends compared to the average of the previous 3 years (Provided that there is no decrease in dividend income compared to the previous year)	Stock-listed corporations* meeting ① or ② ①Dividend payout ratio of 40% or more ②Dividend payout ratio of 25% or more + 10% or more increase in dividends compared to the previous year (Provided that there is no decrease in dividend income compared to 2024) *Excluding investment companies, etc.

<table>
<tr><td></td><td></td><td>face value of less than 300 million won</td><td>*Excluding investment companies, etc.</td><td></td></tr>
<tr><td>Tax rate</td>
<td><table><tr><th>Special dividend income</th><th>Tax rate</th></tr><tr><td>20 million won or less</td><td>9%</td></tr><tr><td>Over 20 million won 300 million won or less</td><td>20%</td></tr><tr><td>Over 300 million won</td><td>25%</td></tr></table></td>
<td><table><tr><th>Special dividend income</th><th>Tax rate</th></tr><tr><td>20 million won or less</td><td>14%</td></tr><tr><td>Over 20 million won</td><td>27%</td></tr></table></td>
<td><table><tr><th>Special dividend income</th><th>Tax rate</th></tr><tr><td>20 million won or less</td><td>14%</td></tr><tr><td>Over 20 million won 300 million won or less</td><td>20%</td></tr><tr><td>Over 300 million won</td><td>35%</td></tr></table></td>
<td><table><tr><th>Special dividend income</th><th>Tax rate</th></tr><tr><td>20 million won or less</td><td>14%</td></tr><tr><td>Over 20 million won 300 million won or less</td><td>20%</td></tr><tr><td>More than 300 million won 5 billion won or less</td><td>25%</td></tr><tr><td>More than 5 billion won</td><td>30%</td></tr></table></td></tr>
<tr><td>Application period</td><td>Dividend income received after 2026</td><td>Dividend income attributable to the 2026-2028 business years</td><td>Dividend income attributable to the 2026-2028 business years</td><td>Dividend income from the portion paid in 2026 to the portion attributable to the 2028 business year</td></tr>
</table>

Notes:: 1) Submitted, proposed, and amended as the Partial Amendment Bill of the Act on Restriction on Special Cases Concerning Taxation
2) Proposed as the Partial Amendment Bill of the Income Tax Act

◦ Major review opinions

– A consensus was generally formed on the necessity of introducing separate taxation on dividend income to resolve the Korea discount and induce shareholder returns, but concerns were also raised regarding the impairment of tax equity and a decrease in tax revenue.

– During the review process, there were opinions that the maximum tax rate (35%) of the government bill is insufficient as an incentive to expand dividends, requiring the separate taxation rate to be lowered to the level of the capital gains tax rate on stocks (25%), along with discussions that the application period should be advanced to prevent dividend reduction behaviors prior to implementation.

[Table 22] Major Review Opinions on Separate Taxation on Dividend Income

Item	Review Opinions
Pros	- Formation of a general consensus on the policy objective and direction to divert investment funds to the capital market - Existence of opinions, mainly from the opposition party, to expand the target to all listed companies rather than imposing complex requirements, despite various opinions presented regarding the specific requirements for companies subject to the special exception - Need to lower the maximum tax rate for separate taxation to the level of the capital gains tax on stocks (25%) upon the introduction of the system, in order to provide incentives for major shareholders to expand dividends
Cons	- Concerns that the introduction of separate taxation may exacerbate wealth inequality in a situation where most dividend income is concentrated among high-income and high-net-worth individuals - Possibility of causing only an unnecessary decrease in tax revenue if there is no policy effect, similar to the “Dividend Income Increase Tax System” in 2015, as corporate dividends are not determined solely by tax policy

◦ Conclusions

– To enhance the effectiveness of the system, lower the tax rate for the special dividend income bracket of 300 million won to 5 billion won to 25%, while establishing a new bracket of more than 5 billion won to apply a tax rate of 30% in consideration of tax equity.

– Change the target requirement from “dividends shall not decrease compared to the previous year” to “dividends shall not decrease compared to the 2024 business year,” and change “dividend increase of 5% or more compared to the previous 3 years” to “dividend increase of 10% or more compared to the previous year,” etc.

– Adjust the implementation timing to apply to dividend income received on or after January 1, 2026, in order to prevent the distortion of corporate decision-making.

□ Adjustment of the scope of application of special taxation on deposits and capital contributions of mutual finance (income tax)

◦ Related agenda

– Adjustment of the scope of application of special taxation on deposits and capital contributions of mutual finance (Government Bill)

[Table 23] Comparison of Amendment Bills and Amendment Details on the Adjustment of the Scope of Application of Special Taxation on Deposits and Capital Contributions of Mutual Finance

<table>
<tr><th>Category</th><th colspan="2">Current</th></tr>
<tr><td rowspan="3">Adjustment of Non-taxable Targets for Interest on Deposits and Dividend Income on Capital Contributions of Mutual Finance</td><td colspan="2">- Low-rate separate taxation, such as 5% in 2026 and 9% from 2027 onwards</td></tr>
<tr><th>Government Bill</th><th>Amended</th></tr>
<tr><td>- For members of Nonghyup, Suhyup, and Forestry Cooperatives and low-income* associate members, and low-income* members of Credit Unions and Community Credit Cooperatives, non-taxable until 2028, and low-rate separate taxation such as 5% in 2029 and 9% from 2030 onwards
- (*Earned income of 50 million won or less, or global income of 38 million won or less)
- In other cases, low-rate separate taxation, such as 5% in 2026 and 9% from 2027 onwards</td><td>- For members of Nonghyup, Suhyup, and Forestry Cooperatives and low-income* associate members, and low-income* members of Credit Unions and Community Credit Cooperatives, non-taxable until 2028, and low-rate separate taxation such as 5% in 2029 and 9% from 2030 onwards
(*Earned income of 70 million won or less, or global income of 60 million won or less)
- In other cases, low-rate separate taxation, such as 5% in 2026 and 9% from 2027 onwards</td></tr>
</table>

◦ Major review opinions

– Pros based on the expectation that the scale of fund outflow will not be large as the after-tax real interest level of mutual finance institutions remains higher than that of the banking sector despite the reduction in non-taxable benefits, and the need to reorganize the relatively large scale of tax expenditures of this system, are in conflict with cons based on the possibility of fund flight to large commercial banks due to the reduction in non-taxable benefits, the recent deterioration of the financial soundness of mutual finance institutions, and their social finance functions.

[Table 24] Major Review Opinions on the Adjustment of the Scope of Special Taxation on Deposits and Capital Contributions of Mutual Finance

Item	Review Opinions
Pros	- Expectation that the scale of fund outflow will not be large as the after-tax real interest level of mutual finance institutions remains higher than that of the banking sector despite the reduction in non-taxable benefits - Need to reorganize the relatively large scale of tax expenditures of this system
Cons	- Possibility of fund outflow to large commercial banks due to the reduction of non-taxable benefits - Need to maintain tax benefits considering the recent deterioration in financial soundness and the social finance functions of mutual finance institutions

◦ Conclusions

− Revision to relax the low-income standard (earned income of 70 million won or less, or global income of 60 million won or less) compared to the original government bill (earned income of 50 million won or less, or global income of 38 million won or less) in consideration of concerns over the reduction of non-taxable benefits for mutual finance institutions

□ Increase in corporate tax rate (corporate tax)

◦ Related agenda

− 1%p increase in the corporate tax rate for all brackets of the corporate tax base (Government Bill and Bill proposed by Rep. Yun Jun-byeong)

− 1%p increase in the corporate tax rate for some brackets of the corporate tax base (Bill proposed by Reps. Kim Gi-pyo, An Do-geol, and Yun Jong-o)

− Adjustment of the corporate tax base to 3 brackets and reduction of the tax rate (Bill proposed by Reps. Choe Eun-seok and Kim Mi-ae)

[Table 25] Comparison of Amendment Bills and Amendment Details on Corporate Tax Rates: General Corporate Tax Rate Standard

(Unit: %)

<table>
<tr><th>Tax Base</th><th>Current</th><th>Kim Mi-ae Member Bill</th><th>Kim Gi-pyo Member Bill</th><th>An Do-geol Member Bill</th><th>Choe Eun-seok Member Bill</th><th>Yun Jong-o Member Bill</th><th>Yun Jun-byeong Member Bill</th><th>Government bill</th><th>Amended</th></tr>
<tr><td>KRW 200 million or less</td><td>9</td><td rowspan="2">10</td><td>9</td><td>9</td><td>8</td><td>9</td><td colspan="2">10</td><td>10</td></tr>
<tr><td>KRW 200-500 million</td><td rowspan="2">19</td><td rowspan="2">19</td><td rowspan="2">19</td><td rowspan="2">18</td><td rowspan="2">20</td><td colspan="2" rowspan="2">20</td><td rowspan="2">20</td></tr>
<tr><td>KRW 500 million - 20 billion</td><td rowspan="2">20</td></tr>
<tr><td>KRW 20 - 300 billion</td><td>21</td><td>21</td><td>22</td><td rowspan="2">20</td><td>22</td><td colspan="2">22</td><td>22</td></tr>
<tr><td>Over KRW 300 billion</td><td>24</td><td>22</td><td>25</td><td>25</td><td>25</td><td colspan="2">25</td><td>25</td></tr>
</table>

◦ Major review opinions

– Conflicting views between the affirmative opinion that raising the corporate tax rate will expand the revenue base to enhance fiscal sustainability, and the opposing opinion that raising the corporate tax rate may undermine the long-term revenue base by shrinking corporate activities and leading to reduced investment.

– Opinions were also presented during the discussion, mainly by some members in favor of the tax rate increase, to raise the tax rate only for the upper brackets of the tax base considering the poor business environment of small and medium-sized enterprises (SMEs).

[Table 26] Major Review Opinions on Corporate Tax Rate Increases

Item	Review Opinions
Pros	- Need to support fiscal expenditure by securing a stable revenue base based on corporate income through an increase in the corporate tax rate. - Arguments were also raised that restoring the reduced tax rates to pre-2022 levels would not cause significant side effects, as the effects of investment promotion, etc., have not been visibly apparent since the corporate tax rate reduction through the 2022 Tax Act amendment. - However, opinions were also presented during the discussion process to maintain the current tax rate for the lower brackets of the tax base, considering the poor environment of SMEs, and to increase the tax rate focusing on the upper brackets.
Cons	- A tax rate increase could cause negative impacts on economic growth, such as shrinking corporate economic activities and reducing incentives for domestic investment inflows, which could rather undermine the long-term revenue base. - Changing the corporate tax rate at every change of administration could undermine international investors' trust in policies and legal stability.

◦ Conclusions

– As the affirmative and opposing sides failed to reach an agreement during the Tax Subcommittee period, the government bill designated as an ancillary bill to the revenue budget bill was automatically referred to the plenary session, and was passed as proposed by the government.

☐ **Increase in the education tax rate for financial and insurance businesses (education tax)**

◦ Related agenda

– Increase in the education tax rate for financial and insurance businesses (Bill proposed by Rep. Yun Yeong-seok, Government Bill)

– Reduction of the education tax rate for financial and insurance businesses (Bill proposed by Rep. Park Su-yeong)

[Table 27] Comparison of Amendment Bills and Amendment Details on the Education Tax Rate for Financial and Insurance Businesses

Category	Current	Bill proposed by Rep. Park Su-yeong	Bill proposed by Rep. Yun Yeong-seok	Government Bill	Amended
Education tax rate adjustment	- Tax rate 0.5%	- Tax rate: 0.3% for the revenue bracket of KRW 1 trillion or less, 0.5% for the revenue bracket exceeding KRW 1 trillion	- Tax rate: 0.5% for the bracket with revenue of KRW 1 trillion or less, 1% for the bracket exceeding KRW 1 trillion - However, the tax rate on fee revenue under the Specialized Credit Finance Business Act is 0.5%	- Tax rate: 0.5% for the bracket with revenue of KRW 1 trillion or less, 1% for the bracket exceeding KRW 1 trillion	- Tax rate: 0.5% for the bracket with revenue of KRW 1 trillion or less, 1% for the bracket exceeding KRW 1 trillion

◦ Main review opinions

－There coexist affirmative opinions that a tax rate increase is possible considering the tax-bearing capacity of large financial and insurance institutions generating revenue exceeding KRW 1 trillion, and opposing opinions that financial companies could ultimately pass the burden on to ordinary citizens through loan interest, card fees, etc.

－In addition, there were affirmative opinions in the aspect that the entire increase in the education tax resulting from this amendment bill would be invested in expanding higher education finances, thereby contributing to the expansion of education investment, which is the original purpose of the education tax. However, as it is a direction to readjust the financial resource allocation structure between local education finances and the higher education sector, concerns were raised about the reduction of local education finance grants, which are financial resources for elementary and secondary education, and points were raised that it is necessary to also review the consistency between the original purpose of the education tax and its usage, and furthermore, the appropriateness of the grant allocation.

[Table 28] Major Review Opinions on the Increase in the Education Tax Rate for Financial and Insurance Businesses

Item	Review Opinions
Pros	- Sufficient tax-bearing capacity of large financial and insurance institutions generating revenue exceeding KRW 1 trillion
Cons	- Concerns that financial companies may ultimately shift the burden of the tax rate increase to ordinary citizens through loan interest, credit card fees, etc.

◦ Conclusions

− As the affirmative and opposing sides failed to reach an agreement during the Tax Subcommittee period, the government bill designated as an ancillary bill to the revenue budget bill was automatically referred to the plenary session, and was passed as proposed by the government.

☐ **Introduction of a tax system to promote domestic production of strategic industries, etc. (corporate tax)**

◦ Related agenda

− Establishment of a tax system to promote domestic production of strategic industries, etc. (Bill proposed by Reps. Kim Tae-nyeon, Jeong Il-yeong, Jin Seong-jun, An Do-geol, Sin Yeong-dae, Jeong Tae-ho, Kim Eun-hye, Kim Sang-hun, Park Ji-hye, Park Seong-min, Choe Eun-seok, and Yun Yeong-seok)

[Table 29] Comparison of Main Contents of the Amendment Bills Related to the Establishment of a Tax System to Promote Domestic Production of Strategic Industries, Etc.

Category	Current	Bill proposed by Rep. Kim Tae-nyeon	Bill proposed by Rep. Jeong Il-yeong	Bill proposed by Rep. Jin Seong-jun	Bill proposed by Rep. An Do-geol
Target of deduction	(Newly established)	Companies producing products utilizing national strategic technologies	Companies producing products utilizing national strategic technologies	Companies producing products utilizing new growth and original technologies, and national strategic technologies	Companies producing products utilizing new growth and original technologies, and national strategic technologies
Deduction details		15% of product production costs	20% of product production costs	10% of the sales price	10% of the sales price

Deduction limit		10% of corporate tax	20% of corporate tax	20% of corporate tax	10% of corporate tax
Treatment of undeducted amount		10-year carryforward deduction	10-year carryforward deduction, refund and transfer of refund amount to a third party allowed	10-year carryforward deduction, refund of up to 50% of the tax credit amount allowed	10-year carryforward deduction, refund of up to 50% of the tax credit amount allowed
Application period		Dec. 31, 2035	Dec. 31, 2035	Dec. 31, 2035	Dec. 31, 2035

Category	Bill proposed by Rep. Sin Yeong-dae	Bill proposed by Rep. Jeong Tae-ho	Bill proposed by Rep. Kim Eun-hye	Bill proposed by Rep. Kim Sang-hun
Deduction target	Companies producing products using national strategic technologies	Companies producing products using national strategic technologies	Companies producing products using national strategic technologies	Companies producing products using national strategic technologies
Deduction details	15% of product production costs	10% of product production costs	10% of product production costs	15-25% of product production costs
Deduction limit	20% of corporate tax	30% of corporate tax	10% of corporate tax	25% of corporate tax
Treatment of undeducted amount	10-year carryforward deduction, refund, and third-party transfer of refund allowed	10-year carryforward deduction, and refund of up to 50% of the tax credit amount allowed	10-year carryforward deduction allowed	20-year carryforward deduction, refund, and third-party transfer of refund allowed
Application period	Dec. 31, 2035	Dec. 31, 2035	Dec. 31, 2035	Dec. 31, 2035

Category	Bill proposed by Rep. Park Ji-hye	Bill proposed by Rep. Park Seong-min	Bill proposed by Rep. Choe Eun-seok	Bill proposed by Rep. Yun Yeong-seok	Amended
Deduction target	Companies producing products utilizing national strategic technologies	Companies producing products utilizing national strategic technologies	Companies producing future means of transportation and mobility, and steel-related products	Companies producing products utilizing new growth and source technologies, and national strategic technologies	(Not reflected)
Deduction details	Varies by item (Delegated to the Enforcement Decree)	Within 30% of the product production cost	Delegated to the Enforcement Decree	10% (20% outside the Seoul metropoli-tan area)	
Deduction limit	40% of corporate tax	30% of corporate tax	20% of corporate tax	10% of corporate tax	
Treatment of undeducted amount	10-year carryforward deduction	10-year carryforward deduction	10-year carryforward deduction	10-year carryforward deduction	
Application period	Dec. 31, 2035	Dec. 31, 2035	Dec. 31, 2035	Dec. 31, 2035	

◦ Major review opinions

− Conflict between the affirmative opinion that it is necessary to enhance international competitiveness in strategic industries and the opposing opinion that taxation equity among industries needs to be considered, as preferential deductions for R&D and facility investments already exist for deduction targets such as national strategic technologies

− In addition, regarding the refund of undeducted amounts or special exceptions for third-party transfers, conflict between the affirmative opinion that effectiveness can be strengthened by supporting companies unable to enjoy tax benefits due to deficits, etc., and the opposing opinion that allowing the refund and transfer of tax credits could undermine the minimum tax system

[Table 30] Major Review Opinions on
the Tax System for Promoting Domestic Production of Strategic Industries, Etc.

Item	Review Opinions
Pros	- Need to enhance the international competitiveness of related industries by strengthening tax support for companies producing products in strategic industries, such as national strategic technologies - Possibility of establishing full-cycle tax support by providing tax support at the production stage as well as for R&D and facility investment of national strategic technologies currently in effect - Possibility of strengthening the effectiveness of support even for companies that have not generated tax liabilities due to deficits, etc., by newly establishing special provisions for the refund and third-party transfer of undeducted amounts
Cons	- Concerns that taxation equity by company size and industry may be hindered, as preferential deductions compared to general technologies are already applied to R&D and facility investment for national strategic technologies, etc., and the proportion of large enterprises is higher than that of SMEs and middle-market enterprises among companies utilizing the relevant technologies - Concerns that allowing the refund and third-party transfer of tax deductions may undermine the minimum tax system, which is intended to levy a minimum tax when there is income

◦ Conclusions

− Decided to re-discuss the introduction of a tax system to promote domestic production of strategic industries, etc. at a later date, as the government stated its position that consultation with relevant ministries is necessary after reviewing the results of related research services currently underway

☐ **Conversion of the taxation method from an estate tax to an inheritance acquisition tax (inheritance tax)**

◦ Related agenda

– Conversion from the current taxation method (estate tax), which calculates the current inheritance tax base based on the decedent's property, to a taxation method (inheritance acquisition tax) that calculates it based on the heir's acquired property (Government Bill)

[Table 31] Comparison of Main Contents of the Amendment Bill Related to the Reorganization of the Inheritance Tax Taxation Method

<table>
<tr><th>Category</th><th>Current</th><th>Government Bill</th><th>Amende
d</th></tr>
<tr><td>Taxation method</td><td>Calculation of the tax base based on the decedent's total inherited property</td><td>Calculation of the tax base based on the inherited property acquired by the heir</td><td rowspan="3">(Not reflected)</td></tr>
<tr><td>Personal deduction amount</td><td>(Deductions other than spouse deduction)
Select either ① or ②

① Lump-sum deduction of KRW 500 million
② Basic deduction of KRW 200 million + sum of the following
※ (Child) KRW 50 million per person
(Minor) Number of years until age 19 × KRW 10 million
(Person with a disability) Life expectancy × KRW 10 million
(Senior citizen) KRW 50 million per person

(Spouse deduction) KRW 500 million to 3 billion

(Minimum limit) Tax exemption up to KRW 1 billion of inherited property in the case of inheritance with a spouse</td><td>(Other than spouse)
Application of the sum of the basic deduction and additional deduction per heir, etc.
①Basic deduction:
Heir KRW 200~500 million
Legatee KRW 10~50 million
②Additional deduction: Sum of the following
※ (Minor) Number of years until age 19 × KRW 10 million
(Person with a disability) Life expectancy × KRW 10 million
(Senior citizen) KRW 50 million per person

(Spouse) KRW 1-3 billion

(Newly established minimum limit for the total amount of personal deductions) KRW 1 billion</td></tr>
<tr><td>Joint and several tax liability</td><td>Joint and several tax liability of heirs and legatees for the entire inheritance tax</td><td>Limited joint and several tax liability in cases such as when it is difficult to secure tax claims</td></tr>
</table>

Whether to aggregate gift to a third party	Aggregation	Non-aggregation	
Special exception for comparative taxation on bypass inheritance	None	Newly established special exception for additional taxation when the inheritance tax burden is reduced upon bypass inheritance	

◦ Major review opinions

– Both an affirmative opinion that it is necessary to transition to an inheritance acquisition tax system, which taxes the property acquired by the heir in accordance with the principle of ability to pay, and an opposing opinion raising concerns over the weakening of the revenue base due to a decrease in tax revenue if the transition is made according to the submitted government bill, were raised.

– In addition, concerns are also raised that under the government bill, the transition of the taxation method excludes properties gifted in advance to a third party during the decedent's lifetime from being aggregated into the inheritance tax base, which may lead to an increase in tax avoidance exploiting this.

[Table 32] Major Review Opinions on the Reform of the Inheritance Taxation Method

Item	Review Opinions
Pros	- Need to transition to a method of taxing the property acquired by the heir in accordance with the principle of ability to pay - Improvement of the effectiveness of personal deductions as it is possible to design a deduction system based on the personal characteristics of individual heirs, such as persons with disabilities, minors, and senior citizens
Cons	- Concerns over the weakening of the tax revenue base due to a decrease in tax revenue upon transition to an inheritance acquisition tax in accordance with the personal deductions, etc. stipulated in the current government bill - Concerns over tax avoidance through this, as the aggregation of property gifted in advance to a third party during the decedent's lifetime into the inheritance tax base is excluded according to the government bill

◦ Conclusions

– Decided to re-discuss after proceeding with procedures to reach a social consensus, such as holding public hearings related to the transition of the inheritance taxation method, and comprehensively reviewing measures to minimize the expected decrease in tax revenue during the transition process

4 Modifications to Government-submitted Bills and Matters Reflected from Member-proposed Bills

a. Modifications to Government-submitted Bills

☐ 15 amendments among the Tax Act amendment bills submitted by the government were modified during the National Assembly's deliberation and resolution process

◦ Income Tax Act 1 case, Act on Restriction on Special Cases Concerning Taxation 8 cases, Customs Act 1 case, Comprehensive Real Estate Holding Tax Act 2 cases, National Tax Collection Act 3 cases

[Table 33] Government-submitted Tax Act Amendment Bills Modified by the National Assembly

Name of Act	Modifications to Government-submitted Bills
Income Tax Act (1 item)	- Modified the government bill—which intended to include foreign shares in the items subject to the exit tax and apply a two-tier progressive tax rate (20% for a tax base of KRW 300 million or less, and 25% for a tax base exceeding KRW 300 million)—to add foreign shares prescribed by the Enforcement Decree to the items subject to taxation, while applying a tax rate of 10% for SME shares and 20% for other shares (Articles 118-9 through 118-18)
Restriction of Special Taxation Act (8 item)	[Income tax sector: 3 cases] - Modified the government bill—which intended to extend the application period of the special exemption for capital gains tax reduction on land, etc. subject to purchase due to the designation of restricted development zones by 3 years—to also extend the application period of the special exemption for capital gains tax reduction on land, etc. due to the lifting of restricted development zones by 3 years, in addition to the designation (Article 77-3, Paragraph 1) - Reduced the target for the transition to low-rate separate taxation on interest and dividend income from mutual finance deposits and contributions from associate members with a total salary exceeding KRW 50 million to associate members with a total salary exceeding KRW 70 million (Articles 88-5 and 89-3) - Modified the establishment of a special exemption for separate taxation on dividend income for individual shareholders of high-dividend companies to relax the target requirements and lower the maximum tax rate from 35% to 30% (Article 104-27) [Corporate tax sector: 1 case] - Modified to include the expansion of the income tax and corporate tax

Name of Act	Modifications to Government-submitted Bills
	reduction limit for companies located in special R&D zones from KRW 15 million to KRW 20 million per outstanding R&D personnel, although this content was not included in the government bill (Article 12-2) [Consumption tax sector: 4 cases] - Modified the government bill—which intended to extend the application period of the reduction and exemption system for fossil fuels, such as the indirect tax exemption on petroleum products for self-power generation in island areas, the value-added tax exemption on wood pellets provided to farmers and foresters, the transportation, energy, and environment tax reduction and exemption on diesel for coastal cargo ships, and the indirect tax exemption on petroleum products for coastal passenger ships, by 3 years—to extend it by only 1 year (Articles 106-2, 111, etc.)
Customs Act (1 item)	- Modified the government bill—which intended to establish grounds for physical searches of persons suspected of carrying or concealing narcotics, harmful goods, etc.—to include precursor substances and temporary narcotics in addition to narcotics, and to specify it as cases where there are reasonable grounds to suspect the carrying or concealment of narcotics, etc. (Article 265)
Comprehensive Real Estate Holding Tax Act (2 item)	- Modified the government bill—which intended to prepare grounds for delegating the scope of associations that become taxpayers of the comprehensive real estate holding tax on trust property—to specify the delegated contents in the Act (Article 7) - Modified the government bill—which intended to prepare grounds for delegating the scope of target houses for which the reduced comprehensive real estate holding tax amount, etc. is additionally collected—to specify the delegated contents in the Act (Article 17)
National Tax Collection Act (3 item)	- Modified the government bill—which intended to establish grounds for fact-finding surveys on tax delinquents—to change the name of the fact-finding survey to fact-finding verification, specify the scope of the fact-finding verification, and expand the targets subject to the duty to prohibit the leakage of information acquired during official duties (Article 10-2) - Deferred the implementation period of entrusting the sale of virtual assets to the Korea Asset Management Corporation by 3 months (Article 103) - Modified to not reflect the government bill that intended to newly establish grounds for exemption from detention for large-amount and habitual tax delinquents (Article 115)

b. Matters Reflected from Member-proposed Bills

☐ A total of 19 cases were not included in the government bill but were proposed as member bills and reflected in the substituted bill.

◦ Value-Added Tax Act 2 cases, Act on Restriction on Special Cases Concerning Taxation 13 cases, Individual Consumption Tax Act 1 case, Customs Act 3 cases

[Table 34] Member-proposed Tax Act Amendment Bills Reflected in the Tax Act by Proposing Matters not Included in the Government Bill

Name of Law	Matters Reflected from Member-proposed Bills
Value-Added Tax Act (2 item)	- Increased the penalty tax rate for the issuance and receipt of false tax invoices by 1%p (Bill proposed by Choe Eun-seok, Article 60) - Imposed an obligation on taxpayers to submit documentary evidence that can prove their actual business operation status (Bill proposed by Choe Eun-seok, Article 74)
Act on Restriction on Special Cases Concerning Taxation (13 item)	[Income tax sector: 4 cases] - Included inheritance and gift in the requirements for excluding the special taxation for tax deferral on capital gains from in-kind investment (Bill proposed by Cha Gyu-geun, Article 38-2) - Added non-capital areas of concern for depopulation to the target areas for the special taxation on capital gains tax and comprehensive real estate holding tax for purchasers of houses in depopulation areas (Bill proposed by Lee Jong-uk and An Do-geol, Article 71-2) - Extended the application period of the special taxation on capital gains tax and comprehensive real estate holding tax for purchasers of unsold houses after completion located in non-capital areas by 1 year (Bill proposed by Yun Jae-ok, Yun Jun-byeong, Yun Yeong-seok, Chu Gyeong-ho, and An Do-geol, Article 98-9) - Newly established a special exemption from interest income tax for Youth Future Installment Savings (Bill proposed by Rep. Jeong Tae-ho, Article 91-25) [Corporate tax sector: 4 cases] - Added contributions to the Trade Insurance Fund to the targets for tax credit for contributions to the Mutual Cooperation Fund (Bill proposed by Reps. Kim Sang-hun and Park Su-yeong, Article 8-3) - Expanded the income tax and corporate tax reduction and exemption period for standard workplaces for the disabled (Bill proposed by Rep. Choe Eun-seok, Article 85-6) - Newly established a special exception for the inclusion in deductible expenses of the Korea Development Bank's contributions to the High-Tech Strategic Industry Fund (Bill proposed by Rep. Lee So-yeong, Article 104-36) - Extended the application period of tax reduction and exemption for start-ups, etc. in Opportunity and Development Special Zones by 2 years (Bill proposed by Reps. An Do-geol and Park Jeong-ha, Article 121-33) [Consumption tax sector: 2 cases] - Added drugs for rare diseases imported by the Korea Orphan & Essential Drug Center to the targets for value-added tax exemption (Bill proposed by Rep. Gang Seon-u, Article 106) - Newly established grounds for temporary liquor tax reduction and exemption for low-alcohol specialty liquors (Bill proposed by Reps. An Do-geol and Park Su-yeong, Article 115-2) [Other fields: 3 cases] - Newly established a special exception for the extinguishment of the duty to pay delinquent amounts for livelihood-type tax delinquents (Bill proposed by Rep. Jeong Tae-ho, Article 99-15) - Specified the contents to be included in the written opinion when submitting

Name of Law	Matters Reflected from Member-proposed Bills
	a written opinion on the retention of the tax exemption and reduction system, such as the necessity of tax exemption and reduction and the expected time to achieve policy goals (Bill proposed by Jeong Seong-ho, Article 142) - Mandated the preparation of the statement of tax expenditure settlement (Bill proposed by Reps. Kim Yeong-hwan and Jeong Seong-ho, Article 142-3)
Individual Consumption Tax Act (1 item)	- Reduced the individual consumption tax by 50% for synthetic nicotine cigarettes for 2 years from the enforcement date of the Act (Bill proposed by Rep. Kim Sang-hun, Article 1)
Customs Act (3 item)	- Extended the application period of customs duty exemption for aircraft parts by 3 years and abolished the section for the phased reduction of the exemption rate (Bill proposed by Reps. Park Su-yeong and Jeong Tae-ho, Article 89) - Added drugs for rare diseases imported by the Korea Orphan & Essential Drug Center to the targets for customs duty exemption (Bill proposed by Reps. Gang Seon-u and Jeong Tae-ho, Article 91) - Exempted customs duties on critical minerals secured through overseas resource development projects (Bill proposed by Reps, Yun Yeong-seok and Lee Yeon-hui, Article 93)

5 Tax Revenue Effects According to the Tax Acts

☐ The National Assembly Budget Office forecasts that tax revenue will increase by KRW 37.5104 trillion (hereinafter cumulative method) during the period of 2026-2030 according to the Tax Acts passed by the National Assembly.1)

[Table 35] Tax Revenue Effects According to the Tax Acts (Estimated by the National Assembly Budget Office): 2026-2030

(Unit: KRW 100 Million)

	2026	2027	2028	2029	2030	Cumulative
Cumulative method	31,237	82,023	83,890	87,991	89,963	375,104
Income tax	-188	-6,534	-7,295	-6,935	-6,656	-27,609
Corporate tax	6,587	44,354	44,361	44,369	44,400	184,071
Value-added tax	1,757	2,728	3,094	3,463	3,532	14,573
Inheritance and gift tax	32	64	64	64	64	288
Securities transaction tax	21,921	24,844	25,938	27,052	28,213	127,967
Other	1,129	16,568	17,728	19,978	20,411	75,813
	2026	2027	2028	2029	2030	Cumulative
Net method	31,237	50,786	1,866	4,101	1,972	89,963
Income tax	-188	-6,346	-761	360	279	-6,656
Corporate tax	6,587	37,767	7	8	31	44,400
Value-added tax	1,757	971	366	369	69	3,532
Inheritance and gift tax	32	32	0	0	0	64
Securities transaction tax	21,921	2,923	1,094	1,115	1,160	28,213
Other	1,129	15,439	1,160	2,251	433	20,411

Notes: 1. The cumulative method calculates the tax revenue effect by year compared to 2025 (base year), and the net method aggregates the tax revenue effect compared to the previous year, assuming no tax revenue effect from the extension of the application period in both methods.
2. The tax revenue effect is re-estimated by the National Assembly Budget Office based on the Tax Act.

1) This is the estimation result of the National Assembly Budget Office on the Tax Acts passed by the National Assembly, and the confirmed total revenue budget for 2026 is included in the appendix. The tax revenue effects described hereafter are based on the cumulative method, which sums up the changing tax revenue effects compared to the base year (2025).

☐ The tax revenue effects of the main items of the amended tax act over the next five years (2026-2030) are as follows:

◦ 1%p increase in the tax rate for all brackets of the corporate tax base: +KRW 18.482 trillion

◦ 0.05%p increase in the securities transaction tax rate for listed stocks: +KRW 12.7967 trillion

◦ 0.5%p increase in the education tax rate for the revenue bracket exceeding KRW 1 trillion for financial and insurance businesses: +KRW 6.5513 trillion

◦ Addition of synthetic nicotine tobacco to items subject to individual consumption tax due to the amendment of the Tobacco Business Act, and application of a reduced tax rate for two years: +KRW 1.2885 trillion

◦ Reduction of the eligibility for non-taxable comprehensive savings from residents aged 65 or older to basic pension recipients aged 65 or older: +KRW 1.155 trillion

◦ Establishment of a special exception for separate taxation on dividend income for individual shareholders of high-dividend companies: -KRW 1.9206 trillion

[Table 36] Tax Revenue Effects by Major Item
(Estimated by the National Assembly Budget Office)

(Unit: KRW 100 Million)

Major Items of the Amended Tax Act	2026-2030 Annual Average[1]	2026-2030 Cumulative
(Corporate tax) Increase in corporate tax rate	36,964	184,820
(Securities transaction tax) Increase in KOSPI and KOSDAQ securities transaction tax rates	16,378	127,967
(Education tax) Increase in education tax rate for financial and insurance businesses	16,378	65,513
(Individual consumption tax/Value-added tax) Taxation of individual consumption tax on synthetic nicotine tobacco and application of a reduced tax rate for two years	2,577	12,885
(Income tax) Adjustment of eligibility for non-taxable comprehensive savings	2,539	10,155
(Income tax) Establishment of a special exception for separate taxation on dividend income for individual shareholders of high-dividend companies	-4,802	-19,206

Note: 1) Amount calculated considering only the years in which tax revenue effects occurred

☐ The National Assembly Budget Office initially forecasted that tax revenue would increase by KRW 37.8040 trillion[1)] over five years if the tax act amendment bill submitted by the government was passed, but estimated that the scale of tax revenue increase would decrease by KRW 293.6 billion according to the National Assembly's modifications

□ Changes in tax revenue effects due to the National Assembly's modifications compared to the 2025 government tax act amendment bill

- ◦ Income tax (-KRW 1.1334 trillion over 5 years)
  - − Adjustment of the implementation timing, tax rate, etc., for separate taxation on dividend income for individual shareholders of high-dividend companies: -KRW 903.1 billion
  - − Adjustment of the eligibility for non-taxable mutual finance deposits and investments: -KRW 226.2 billion
  - − Downward adjustment of the applicable tax rate for the exit tax on foreign shares: -KRW 4.1 billion
- ◦ Corporate tax (-KRW 406.8 billion over 5 years)
  - − Establishment of a special exception for the inclusion in deductible expenses of the Korea Development Bank's contributions to the advanced strategic industry fund: −KRW 400 billion
  - − Addition of the Trade Insurance Fund to items eligible for the tax credit for contributions to the Mutual Cooperation Fund: -KRW 6.8 billion
- ◦ Value-added tax and individual consumption tax (+KRW 1.3455 trillion over 5 years)
  - − Imposition of individual consumption tax on synthetic nicotine tobacco and application of a reduced tax rate for two years: +KRW 1.2885 trillion
  - − Upward adjustment of the penalty tax rate for the issuance and receipt of false tax invoices: +KRW 57 billion
- ◦ Other (−KRW 98.9 billion over 5 years)
  - - 3-year extension of the tariff exemption for aircraft parts and abolition of the phased reduction brackets for the exemption rate: -KRW 117 billion, etc.

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1) The government forecasted that tax revenue would decrease by a cumulative KRW 34.4066 trillion over five years according to the 2025 tax act amendment bill (excluding the item on changing the criteria for major shareholders) (Estimated by the National Assembly Budget Office based on the Ministry of Economy and Finance's press release on the “2025 Tax Reform Bill”)

[Table 37] Changes in Tax Revenue Effects Due to National Assembly Revisions Compared to the 2025 Government Tax Act Amendment Bill (Estimated by the National Assembly Budget Office)

(Unit: KRW 100 Million)

	2026	2027	2028	2029	2030	Total
Income tax	-135	-4,197	-2,334	-2,334	-2,334	-11,334
- Adjustment of the implementation timing, tax rates, etc. for the separate taxation of dividend income from high-dividend companies	-	-3,763	-1,756	-1,756	-1,756	-9,031
- Adjustment of targets eligible for non-taxation on interest and dividend income from mutual finance deposits and contributions	-135	-424	-568	-568	-568	-2,262
- Downward adjustment of the applicable tax rate for the exit tax on foreign shares	-	-10	-10	-10	-10	-41
Corporate tax	-	-1,017	-1,017	-1,017	-1,017	-4,068
- Establishment of a special case for the inclusion in deductible expenses of the Korea Development Bank's contributions to the High-Tech Strategic Industry Fund	-	-1,000	-1,000	-1,000	-1,000	-4,000
- Addition of the Trade Insurance Fund to items eligible for the tax credit for contributions to the Mutual Cooperation Fund	-	-17	-17	-17	-17	-68
Value-added tax and individual consumption tax	1,034	1,954	2,875	3,796	3,796	13,455
- Imposition of individual consumption tax on synthetic nicotine tobacco and application of a reduced tax rate for two years	920	1,840	2,761	3,682	3,682	12,885
- Upward adjustment of the penalty tax rate for the issuance·receipt of false tax invoices	114	114	114	114	114	570
Other	-174	-440	-698	278	45	-989
Total	725	-3,700	-1,174	723	490	-2,936

Note: 1. Estimated assuming that the application period will be extended for items with a sunset clause
2. Excluded items for which it is difficult to estimate the tax revenue effect

6 Ancillary Opinions and Future Issues for Discussion

□ The 2025 tax act amendment bill was deliberated and resolved at the plenary session based on an in-depth review by the competent standing committee, but additional issues for future discussion still remain.

◦ Refer to Chapter IV for details on each discussion issue.

□ **(Regarding the expansion of non-taxable income for the monthly salary of crew members of coastal vessels and coastal/offshore fisheries)** As a result of discussing the expansion of the non-taxable income limit for crew members of coastal vessels and coastal/offshore fisheries, the government decided to consult with the Ministry of Oceans and Fisheries to promptly prepare comprehensive support measures for the development of the coastal shipping industry and the increase in real income of coastal vessel crew members.

◦ (Ancillary opinion) "The Ministry of Economy and Finance shall consult with the Ministry of Oceans and Fisheries to promptly prepare comprehensive support measures for the development of the coastal shipping industry and the increase in real income of coastal vessel crew members."

□ **(Regarding the appropriateness of the payment requirements and standards for the Earned Income Tax Credit)** As a result of discussing the plan to exclude financial institution loans of up to KRW 200 million for lease deposits from the total property amount among the property requirements for the Earned Income Tax Credit, the government decided to comprehensively review the support effect and the appropriateness of the payment requirements and standards in consideration of the purpose of the Earned Income Tax Credit system.

◦ (Ancillary opinion) "The Ministry of Economy and Finance shall comprehensively review the support effect and the appropriateness of the payment requirements and standards in consideration of the purpose of the Earned Income Tax Credit system."

□ **(Regarding the expansion of the target for special taxation for acquirers of unsold housing after completion located outside the Seoul metropolitan area)** As a result of discussing plans such as expanding the target for special taxation on capital gains tax and comprehensive real estate holding tax for acquirers of unsold housing after completion located outside the Seoul metropolitan area from an acquisition value of KRW 600 million or less to KRW 900 million or less, the government decided to amend the Enforcement Decree of the Act on Restriction on Special Cases Concerning Taxation to reflect the recent rise in pre-sale prices when designating the target for special taxation on capital gains tax and comprehensive real estate holding tax for acquirers of unsold housing after completion located outside the Seoul metropolitan area.

◦ (Ancillary opinion) "The Ministry of Economy and Finance shall amend the Enforcement Decree of the Act on Restriction on Special Cases Concerning Taxation so that the recent rise in pre-sale prices can be reflected when applying the special taxation on capital gains tax and comprehensive real estate holding tax for acquirers of unsold housing after completion located outside the Seoul metropolitan area."

□ **(Regarding the effectiveness of expanding tax support for companies relocating to provincial areas)** As a result of discussing the necessity of establishing a corporate and income tax reduction limit and introducing follow-up management regulations for companies that have relocated their factories and headquarters outside the Seoul metropolitan area, the government decided to review measures to enhance the effectiveness of the tax reduction system for companies relocating their factories and headquarters outside the Seoul metropolitan area.

◦ (Ancillary opinion) "The Ministry of Economy and Finance shall review measures to enhance the effectiveness of the tax reduction system for companies relocating their factories and headquarters outside the Seoul metropolitan area."

□ **(Regarding the expansion of tax support for investment in venture enterprises)** As a result of discussing the special tax exemption for capital gains from stock transfers of venture investment companies, etc. and the extension of the application period for the tax credit for corporate investment in venture enterprises, the government decided to review measures to expand tax support, such as relaxing the application requirements for tax support for investment in venture enterprises.

◦ (Ancillary opinion) "The Ministry of Economy and Finance shall review measures to expand tax support for investment in venture enterprises, such as relaxing the business history limit of target venture enterprises for investment subject to tax benefits."

□ **(Regarding the tax reduction and exemption system for fossil fuels)** As a result of discussing the appropriateness of extending the application period of reduction and exemption regulations for fossil fuels, such as the exemption of indirect taxes on petroleum products for self-generation in island areas and value-added taxes on wood pellets provided to farmers and foresters, the government decided to review measures to improve the tax reduction and exemption system for fossil fuels in consideration of the environmental impact caused by support for the use of fossil fuels

◦ (Ancillary opinion) "The Ministry of Economy and Finance shall comprehensively review measures to improve the tax reduction and exemption system for fossil fuels in consideration of the environmental impact."

□ **(Regarding the introduction of a tax system to promote domestic production)** As a result of discussing bills related to the introduction of tax support for companies producing products utilizing multiple national strategic technologies, etc., the government decided to make efforts to prepare an amendment bill that can support the domestic production of strategic industries through ongoing related research services and consultations with relevant ministries.

☐ **(Regarding the reform of the inheritance tax taxation system)** As a result of discussing the transition of the inheritance tax taxation method from an estate tax to an inheritance acquisition tax method, etc., the government decided to make efforts to seek social consensus on the inheritance tax reform by holding public hearings, etc., and to prepare a reform plan that can minimize the decrease in tax revenue.