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BEPS Actions implementation by country

South Korea

On 5 October 2015, the G20/OECD published 13 final reports and an explanatory statement outlining consensus actions under the base erosion and profit shifting (BEPS) project. The output under each of the BEPS actions is intended to form a complete and cohesive approach covering domestic law recommendations and international principles under the OECD model tax treaty and transfer pricing guidelines. The G20/OECD output broadly falls into the following categories:

[More information on the Global Tax Reset & BEPS >>>](#)
[Back to BEPS Actions >>>](#)

OECD categorisation	Definition
Minimum standard	All G20/OECD members are committed to consistent implementation
Revision of existing standard	
Common approach	Common approaches to facilitate convergence of national practices
Best practice	Guidance drawing on best practices

It is now for governments to digest and introduce the necessary legislation. The table below sets out a summary of the expected local country implementation and timing in South Korea.

South Korea: BEPS Actions implementation

Last updated: July 2016

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[Back to BEPS Actions >>>](#)

Action	OECD categorisation	Notes on local country implementation	Expected timing
VAT on business to customers digital services (Action 1)	Common approach	Foreign vendors that sell products to Korean consumers online must register with the Korean tax authorities for VAT purposes.	1 July 2015
Hybrids (Action 2)	Common approach	Not yet known.	Not yet known
CFCs (Action 3)	Best practice	Korean tax law already contains CFC provisions.	N/A
Interest deductions (Action 4)	Common approach	Existing thin capitalisation rules have been strengthened by changing the 3:1 debt-to-equity ratio requirement to 2:1.	1 January 2015
Harmful tax practices (Action 5)	Minimum standard	Not yet known.	Not yet known
Prevent treaty abuse (Action 6)	Minimum standard	A substance-over-form rule already exists in South Korea, and is frequently used to deny treaty benefits in treaty abuse situations.	N/A
Permanent establishment status (Action 7)	Revision of existing standard	Not yet known.	Not yet known

South Korea: BEPS Actions implementation

Last updated: July 2016

[More information on the Global Tax Reset & BEPS >>>](#)

[Back to BEPS Actions >>>](#)

Transfer pricing (Actions 8-10)	Revision of existing standard	Not yet known.	Not yet known
Disclosure of aggressive tax planning (Action 12)	Best practice	Not yet known.	Not yet known
Transfer pricing documentation (Action 13)	Common approach	The amended tax law for 2016 includes recommendations from Action 13 (transfer pricing documentation).	15 December 2015
CbC reporting (Action 13)	Minimum standard	CbC reporting is expected to be included in the 2016 amended tax law.	2016
Dispute resolution (Action 14)	Minimum standard Complemented by best practice	A Competent Authority process is available with treaty partners.	N/A

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