

Korea (Rep.)

Korea Proposes Special Taxation of Foreign Investors' Omnibus Accounts, Formation of Tax Treaty Implementation Committee

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The Korean Ministry of Economy and Finance has announced the 2023 tax law amendment proposals to provide special taxation for omnibus accounts used by foreign investors and allow the formation of a consultative committee for tax treaty implementation. The proposals were announced on 27 July 2023 and are subject to approval by the National Assembly.

The above proposed changes are summarized as follows (for other proposed changes, see [Korea Announces 2023 Tax Law Amendment Proposals \(4 August 2023\)](#)).

Special taxation for omnibus accounts used by foreign investors

An "omnibus account" is a single account established (with a Korean securities company) and managed by a global securities company or asset management company for the purpose of consolidating trading orders and settlements from multiple clients. The account is held under the name of the global securities company or asset management company.

For omnibus accounts used by foreign investors, it is proposed that the income payor can withhold tax with reference to the holder of the omnibus account (as opposed to the beneficial owner of the income), and the income payor cannot apply a treaty exemption or treaty rate at the time of tax withholding. However, if the beneficial owner or income payor wishes to apply an exemption or reduced rate under an applicable tax treaty, the beneficial owner or income payor can submit a tax refund request to the tax office having jurisdiction over the income payor within 5 years from the last day of the month in which tax is withheld.

The proposed amendment applies to income paid on or after 1 January 2024. The Korean financial authority is looking to abolish the current foreign investor registration system (which was viewed as inconvenient and not in line with international standards) and the requirement to report the details of investments made via an omnibus account immediately upon payment (T+2). The proposed amendment reduces the burden on securities companies operating omnibus accounts and also provides an opportunity for foreign investors to reduce their tax burden, by allowing the income payor to first withhold tax without having to assess the potential tax treaty application for each beneficial owner and to subsequently submit a tax refund request.

Formation of a consultative committee for tax treaty implementation

To effectively implement and manage the implementation of tax treaties (including the mutual agreement procedure), and to strengthen international tax cooperation, it is proposed that the Ministry of Economy and Finance will be empowered to form a consultative committee for tax treaty implementation. The committee will be operated with the other contracting state of a tax treaty in order to discuss and reach an agreement with respect to: (i) matters necessary for discussion regarding the application and interpretation of the relevant tax treaty; (ii) notification of important changes in the tax laws of both contracting states; and (iii) other matters relating to the implementation of the relevant tax treaty and cooperation in the area of international tax.

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