

Chapter 14

Korea: Tax classes for small businesses

National Tax Service

This chapter presents Korea's taxpayer education programme. It first gives an overview of the whole programme and its objectives, followed by a focus on one specific element, the tax classes for business. It finally looks at the impacts of the initiative.

The National Tax Service (NTS; see Box 14.3) is Korea's main tax administration body. Since 2001 it has been working hard to create some consistency among its various service channels. Previously, these were scattered throughout the organisation – from district tax offices, regional tax offices, to the main office – making it difficult for taxpayers to maintain consistent contact with the NTS. This, plus a lack of expertise, resulted in unsatisfactory service quality. Moreover, some tax officers, particularly in district tax offices, were frequently disrupted by telephone inquiries; an NTS call centre was established in 2001 to manage all tax-related inquiries.

In July 2008, the NTS set up an integrated management system to allow it to better respond to complaints and requests, thereby improving its service. The NTS also expanded the functions of the National Tax Consultation to create the Customer Satisfaction Centre which now handles all tax-related inquiries.

Korea's taxpayer education

There is no central taxpayer education unit in the NTS, so tax education activities are carried out internally by tax officers (Box 14.1). The National Tax Officials Training Institute (NTOTI), an affiliate of the NTS, is responsible for enhancing tax officers' expertise and also carries out some activities, including the taxpayer education programme described below.

Box 14.1. Objectives of taxpayer education in Korea

- Ensure just and fair tax practice by exposing Korea's underground economy.
- Provide support for taxpayers and in doing so, raise morale and attitudes about tax.
- Secure the revenue base.
- Expand support for taxpayers to revitalise the economy.
- Create a transparent, trustworthy administration.

Source: National Tax Service.

The NTS also provides education programmes to help taxpayers deal with tax matters, to encourage tax compliance and promote tax policies. These programmes differ according to the needs and type of audience:

- a TV talk show and comedy show highlight the daily difficulties NTS staff face in promoting tax compliance
- a Smartphone messenger service allows Smartphone users to access and add the NTS to their friend list so that they can receive regular updates
- SNS reporters: these consist of 30 persons from all walks of life (e.g. housewives, students, office workers, etc.) who talk about tax issues from their different perspectives
- the NTS Tax Museum has been renovated and refashioned to broaden and deepen students' understanding of taxes (www.nts.go.kr/museum/main.asp).

In addition to educating the nation, the NTS also encourages taxpayers through a number of other initiatives.

Exemplary taxpayers. The NTS has adopted this system to recognise and benefit exemplary taxpayers. This system applies to both Korean companies and foreign companies investing in Korea. A business taxpayer who meets certain requirements (Box 14.2) can be selected as an exemplary taxpayer by the Exemplary Taxpayer Review Committee. This status gives them the following benefits:

- exemption from having to provide collateral when taxes up to KRW 500 million are not paid immediately
- suspension of tax audits for up to three years
- reduced interest rates on loans
- discounted train fares and medical expenses for the taxpayer and his/her employees
- use of the VIP window at airport immigrations
- free parking at state-run public parking lots.

Box 14.2. What makes an exemplary taxpayer?

Taxpaying companies which are approved by Exemplary Taxpayer Review Committee must meet the following conditions:

- continuous operation of business for more than five years
- tax income in the black for three years running
- no disguised or fictitious data reported for three years running
- fairly large taxable income for three years running
- no unpaid or overdue taxes (including the representative's) in the past three years
- a tax audit which confirms no intentional tax evasion
- taxable income reported honestly compared to other taxpayers

Source: NTS Annual Report 2013, available at:

http://www.nts.go.kr/eng/resources/resour_21.asp?minfoKey=MINF7420080211223143&type=V#
(accessed 3 October 2013).

Source: National Tax Service.

E-books. The NTS publishes e-books which cover a range of tax-related queries and issues. These are uploaded onto the NTS website and are freely available to tax officers and taxpayers alike.

Cash Receipt Lottery (discontinued). The Cash Receipt Lottery used to be held monthly to encourage non-wage and salary earners who do not receive income deduction benefits (e.g. students) to request cash receipts. The lottery was drawn once a month on national TV with prize money ranging from KRW 50 000 (USD 50) for 5th place to KRW 100 million (USD 100 000) for 1st place.

Literature for young people. In 2008, the NTS published *Truths and Myths on Taxes for Teens* aimed at middle and high schools nationwide. The book looks at interesting tax-related facts and addresses some common tax-related questions, such as “Do we have to pay taxes on the money our parents give us on New Year’s Day?”

Focus on: Tax classes for business

The NTS Taxpayer Education Programme was initiated to help individual and small-sized business taxpayers meet their tax obligations. It is run by the National Tax Officials Training Institute (NTOTI) and consists of 20 classes classified by tax types. The programme is open to everyone, and is easily accessible for all. Textbooks accompany the programme and are an additional resource, providing a clear understanding of tax matters. Local businesses are invited to take the classes at the six regional tax offices.

The NTS works hard to inform Korean businesses and individuals overseas of their tax options. In order to give the NTS support to small and medium-sized enterprises (SMEs) working overseas, lectures on international transaction regulations (or foreign tax information) are offered in big cities (e.g. Busan, Daejeon, etc.) where many companies trading overseas are headquartered. The NTS’ public relations division sends regular, written notification to attendees by e-mail, informing them where and when lectures will take place. Further to this effort, regional tax offices notify the whereabouts and other information of events to the target SMEs by e-mail or phone.

For Korean companies or individuals living and doing business abroad, seminars are provided at local Korean embassies on matters such as capital gains tax, gift tax and offshore bank accounts. These have been held in Japan, the People’s Republic of China and the United States for Korean residents or business taxpayers living there.

For the convenience of taxpayers living in rural or remote areas, lectures on VAT, corporate tax and capital gains tax are provided at local universities by NTOTI professors.

In terms of costs and staffing, on average two or three professors and one additional staff member are assigned to a single education programme. Approximately KRW 50 million (USD 50 000) is allotted to this programme every year.

Impacts

While there has been no external evaluation of these classes for businesses, the efforts to respond to taxpayers’ needs, enhance programme quality and promote public relations have seen a steady increase in the number of programme participants and levels of satisfaction (Table 14.1).

Table 14.1. Korea’s expanding Tax Education Programme, 2010-12

	2010	2011	2012	Total
Number of classes	42	56	58	156
Number of participants	6 151	7 248	8 262	21 651

Source: National Tax Service.

Through open conversations with programme participants, the NTS has gained a better sense of which tax matters need addressing, and these have been made more accessible to the taxpayer. Furthermore, valuable feedback from taxpayers is now passed up to NTS headquarters, where it can be incorporated into existing tax systems.

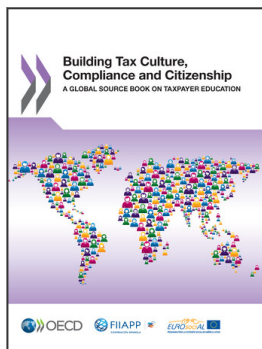
Box 14.3. National Tax Service (NTS)

The NTS is Korea's main tax body, with more than 20 000 tax officers nationwide, distributed across 12 bureaus, 6 regional tax offices and 111 district tax offices.

For more information:

- Website: www.nts.go.kr/eng
- Taxpayer education address: NTOTI, 1110-17, Gyeongsu-daero, Jangan-gu, Suwon-si, Gyeonggi-do, Republic of Korea, 440-290 (zip code)

Source: National Tax Service.



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