e-Tax Administration in South Korea and Its Achievements

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I. Overview of Korean Tax System
Korea has been growing rapidly since 1954 despite three economic crises.
B. GDP and GNI per Capita

- GDP in 2018 amounts to $1,619 billion USD, which increased more than 1,200 times from 1953
  - Ranked 12th in the world

- In 2018, Korea’s GNI per capita surpasses 30,000 USD for the first time, which is 467 times greater than the 1953 figure and also an indicator of an advanced economy
  - Ranked 32nd in the world
Korea’s economy shifted from aid dependence to fiscal self-reliance. After the peak in 1957 (52.9%), foreign aid and fund in government revenue decreased to reach 4% in 1970.

In addition to economic development, establishment of National Tax Service (NTS) in 1966 facilitated domestic revenue collection.
B. Tax Revenue

- Tax revenue increased from 2.7 billion KRW (1953) to 0.4 trillion KRW to 345.8 trillion KRW (2017)
  - It increased more than 800 times between 1970 and 2017
- Tax revenue has increased rapidly since 1980s, thanks to the adoption of social security system
  - National Health Insurance Service (1972)
  - National Pension Service (1988)
C. Tax-to-GDP Ratio

Tax revenue as % of GDP (incl. social contribution) increased by 14.5%p from 1972 to 2017, reaching 26.9%

Tax revenue as % of GDP (excl. social contribution) increased by 14.7%p from 1953 to 2017, reaching 20%
- Social security system began to be introduced in the 1970s

Note: 1956 data is unavailable
D. Internal Tax Revenue

- PIT, CIT and VAT are main sources of revenue

**Internal Tax Revenue by Tax Categories**

(Unit: Trillion KRW)
E. Share of National/Local Tax

- National Tax accounts for 77%, while Local Tax makes up 23%
A. Tax Agencies

Central Government

Prime Minister (PM)

Ministry of Economy and Finance

National Tax Service (NTS, 1966)

Korea Customs Service (KCS, 1970)

PM’s Office

Tax Tribunal

Local Government

Ministry of the Interior and Safety

Local Government
B. Tax Structure

- National Taxes (14)
  - Internal Taxes
  - Customs Duties
  - Provincial Taxes
- Local Taxes (11)
  - City/County Tax
  - Earmarked Taxes
  - Ordinary Taxes

   - Ordinary Taxes
     - Personal Income Tax
     - Corporation Tax
     - Inheritance Tax
     - Gift Tax
     - Comprehensive Real Estate Holding Tax
   - Earmarked Taxes
     - Value Added Tax
     - Individual Consumption Tax
     - Liquor Tax
     - Stamp Tax
     - Securities Transaction Tax
     - Transportation, Energy and Environment Tax
     - Education Tax
     - Special Tax for Rural Development
     - Acquisition Tax
     - Registration and License Tax
     - Local Consumption Tax
     - Leisure Tax
     - Tax for Local Resource Facilities
     - Local Education Tax
     - Local Income Tax
     - Inhabitant Tax
     - Property Tax
     - Automobile Tax
     - Tobacco Consumption Tax
Korea is a world leader in e-government

- Ranked top in E-Government Development Index (EGDI) from 2010-2014
- Ranked top in E-Participation Index (EPI) in 2010-2014 and in 2017

**E-Government Development Index**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rank</th>
<th>EGDI Value</th>
</tr>
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<tbody>
<tr>
<td>2003</td>
<td>13</td>
<td>0.7441</td>
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<tr>
<td>2004</td>
<td>5</td>
<td>0.8575</td>
</tr>
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<td>2005</td>
<td>5</td>
<td>0.8727</td>
</tr>
<tr>
<td>2008</td>
<td>6</td>
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<td>2010</td>
<td>1</td>
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<tr>
<td>2012</td>
<td>1</td>
<td>0.9283</td>
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<tr>
<td>2014</td>
<td>1</td>
<td>0.9462</td>
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<tr>
<td>2016</td>
<td>3</td>
<td>0.8915</td>
</tr>
<tr>
<td>2018</td>
<td>3</td>
<td>0.9010</td>
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</table>

**E-Participation Index**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rank</th>
<th>EPI Value</th>
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</thead>
<tbody>
<tr>
<td>2003</td>
<td>16</td>
<td>0.4828</td>
</tr>
<tr>
<td>2004</td>
<td>6</td>
<td>0.7705</td>
</tr>
<tr>
<td>2005</td>
<td>4</td>
<td>0.8730</td>
</tr>
<tr>
<td>2008</td>
<td>2</td>
<td>0.9773</td>
</tr>
<tr>
<td>2010</td>
<td>1</td>
<td>1.000</td>
</tr>
<tr>
<td>2012</td>
<td>1</td>
<td>1.000</td>
</tr>
<tr>
<td>2014</td>
<td>1</td>
<td>1.000</td>
</tr>
<tr>
<td>2016</td>
<td>4</td>
<td>0.9661</td>
</tr>
<tr>
<td>2018</td>
<td>1</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Note: Rank out of 193 countries, index in brackets has value up to 1.000
Source: UN (2018)
B. No.1 ICT Penetration

- Korea leads the **ICT adoption** pillar in the World Economic Forum
  - No.1 on fiber internet subscriptions
  - No.6 on broadband internet subscriptions
  - No.9 on the percentage of internet users to the overall population
  
  *(World Economic Forum, 2018)*

- Korea has the highest **smartphone ownership** rate in the world
  - No.1 on mobile phone penetration and smartphone ownership
  - 100% of adults report owing mobile phones, while 95% of them report owing a smartphone

  *(Pew Research, 2018)*
C. No.1 ICT Quality

- Korea tops in average connection speed on the Internet
  - 28.6 Mbps in the 1st quarter of 2017, while the world average marks only 7.2 Mbps
- Korea tops in LTE network speed
  - LTE average download speed 150.68 Mbps, LTE average upload speed 43.93 Mbps

### Average Connection Speeds of the Internet

<table>
<thead>
<tr>
<th>Country</th>
<th>Average Connection Speed (Mbps)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Korea</td>
<td>28.6</td>
</tr>
<tr>
<td>Hongkong</td>
<td>21.9</td>
</tr>
<tr>
<td>Singapore</td>
<td>20.3</td>
</tr>
<tr>
<td>Japan</td>
<td>20.2</td>
</tr>
<tr>
<td>Taiwan</td>
<td>16.9</td>
</tr>
<tr>
<td>Thailand</td>
<td>16</td>
</tr>
<tr>
<td>New Zealand</td>
<td>14.7</td>
</tr>
<tr>
<td>Australia</td>
<td>11.1</td>
</tr>
<tr>
<td>Vietnam</td>
<td>9.5</td>
</tr>
<tr>
<td>Malaysia</td>
<td>8.9</td>
</tr>
</tbody>
</table>

Source: Akamai (2017)

### LTE Average Download Speeds

<table>
<thead>
<tr>
<th>Country</th>
<th>Average Download Speed (Mbps)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Korea</td>
<td>150.68</td>
</tr>
<tr>
<td>Toronto</td>
<td>74.17</td>
</tr>
<tr>
<td>Frankfurt</td>
<td>55.58</td>
</tr>
<tr>
<td>Paris</td>
<td>42.01</td>
</tr>
<tr>
<td>Hongkong</td>
<td>27.15</td>
</tr>
</tbody>
</table>

Ⅱ. Tax Administration Reform
A. Operating Costs

**Operating Costs**

- **Compliance Costs**
  - Costs incurred by taxpayers, or third parties such as businesses in complying with their tax obligations
  - **Costs of labour/time** consumed in completion of tax activities
  - **Costs of expertise purchased** to assist with completion of tax activities
  - **Incidental expenses** incurred in completion of tax activities
  - **Psychological costs** and social costs

- **Administrative Costs**
  - Costs incurred by (mainly) public sector agents in order to collect the taxes, and to manage and administrate tax system
  - **Costs of running of the revenue departments**, including salaries of staff, pensions and office expenses
  - **Legislative costs**: drafting and legislating the tax law, designing and planning the tax policy
  - **Juridical costs**: interpreting and implementing the tax law; resolving disputes
**Background of Tax Administration Reform**

**B. Objectives of Reform**

Adam Smith’s Four Main Canons of Taxation

- **Equity**: To improve vertical and horizontal equity of tax system
- **Certainty**: To make tax system predictable and objective
- **Convenience**: To provide service without time and spatial constraints
- **Economy**: To establish less-costly and more efficient tax service

“A good tax system is designed on the basis of an appropriate set of principles.”

“The system should strike a balance between the interests of the taxpayer and the tax authorities.”

『Wealth of Nations (1776)』
## C. Background for e-Tax Reform

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
</table>
| ① Taxpayers’ demands for better tax service | - Demands for transparent and fair tax system  
- Demands for efficient and customer-friendly service |
| ② Need for effective tax management    | - Necessity of managing exploding taxpayer data  
- Need to broaden tax base and increase tax revenue |
| ③ Matured IT environment          | - High prevalence of computer and the Internet  
- Increasing IT-literate manpower |
| ④ Alignment with e-government strategies | - Synergies created among government bodies by information sharing |
Introduction of e-Tax System in Korea

A. Brief History of e-Tax System

- Initial Stage of e-Tax administration: 1967-1996
  FROM manual work TO computerization
  - Simple computerization of tax data without sophisticated management of them
  - Establishment of computers, recruitment of computer-literate personnel, improvement of computer technology, strengthening of employee capacity, data accumulation and processing

- Launch of Tax Integrated System (TIS): 1997
  Effective beginning of e-tax system
Ⅲ. e-Tax Administration in Korea
A. History of e-Tax Administration

- 1997: Tax Integrated System (TIS)
- 1999: Income Deduction For Amount Spent On Credit Cards
- 2001: Home Tax Service (HTS)
- 2003: Tax Information Management System (TIMS)
- 2005: Cash Receipt System
- 2006: Simplified Year-end Tax Settlement Service
- 2010: e-tax Invoice System
- 2015: Neo Tax Integrated System (NTIS)
Tax Integrated System (TIS, 1997)

A. Overview

**Definition**
An integrated database that connects all district tax offices into a single network and allows tax administration by functions.

**Background**
Real Name Financial Transaction System (1993) provided massive amount of taxpayers’ financial income data to deal with.

**Function**
1. **Tax base management**: Management of taxpayer information
2. **Tax return filing management**: Selection of taxpayers subject to filing and cross-check of documentation
3. **Audit management**: Selection of non-compliant taxpayers for audit
4. **Documentation management**: Management of various tax-related documentation
5. **Collection management**: Notices, collection and asset seizure
6. **Customer service**: Access to certificates and business registration
B. Effect

**BEFORE**

1. Manually processed tax-related tasks
   - Inefficient public service

2. Use of disaggregated and partial data
   - Limited analysis on tax base

3. Arbitrary investigation
   - Lack of transparency

**AFTER**

1. Computerized tax documents and certificates issuance, automatic notification system
   - Efficient public service

2. System integration of all district tax offices, systematic & accumulative management of information
   - Better management of sources of taxation

3. Automatic analysis and research process, exclusion of redundant investigation
   - Objective and transparent tax system

From manual administration to automation
A. Overview

**1999**

**Income Deduction For Amount Spent on Credit Cards**

**Definition**

An act to allow income deduction for amount spent on credit cards or its equivalent to incentivize credit card usage and thus to reduce cash transactions.

**Objective**

1. To broaden the tax base of self-employed
2. To identify financial transactions more transparently and strengthen tax equity

**Related Acts**

1999. Enacted "Income Deduction for Amount Spent on Credit Cards, etc.
2000. Enacted "Lottery for Credit Card Receipts
2001. Introduced rewards for reporting disguised affiliates
2005. Enacted "Lottery for Cash Receipts
2006. Abolished "Lottery for Credit Card Receipts
2008. Allowed tax payment by credit card
2011. Abolished "Lottery for Cash Receipts

Note: The term includes amount paid using a credit, debit or prepaid card and amount stated in a cash receipt, according to the Article 126-2 (Income Deduction for Amount Spent on Credit Cards, etc.) of the "Restriction of Special Taxation Act."
In 2017, amount paid by credit or debit card reached 655.7 trillion KRW, expanded 5 times since 2002.
### A. Overview

#### Definition

An Internet-based integrated tax administration service which enables taxpayers to file tax returns, pay taxes and receive tax-related certificates **at home or office**

#### Background

To mitigate inconvenience caused by previous tax administration system, which was based on tax payment notices by mail and frequent visits to tax offices

#### Function

Not just e-filing, but comprehensive tax-related services

1. Electronic filing of tax returns
2. Electronic notice of assessment
3. Electronic transfer of tax payments
4. Electronic issuance of tax-related certificates
5. Past filing and payment records
6. Automatic calculation of tax exemption
B. Effect

- **Hometax system took root quickly**
  - The number of subscribers increased rapidly and reached 3.9 million in 2005.
  - Registration rate in 2008 was 66.8%, which was 56.9%p higher than in 2002.

![Hometax Subscribers](chart.png)

**Note:**
1. Total Number of Registration includes business taxpayers and non-business taxpayers.
2. Registration rate = Number of business subscribers/Total number of business taxpayers.
C. Development of Home Tax Service

- **My NTS (2010)** enabled taxpayers to view their tax-related information scattered around in one page.

- **Smartphone-based Hometax (2012)** provided following services to taxpayers:
  - Tax-related certificates issuance
  - Capital gains tax/gift tax calculation
  - Tax refund history
  - Glossary on tax terminology

  → Particularly appealed to **micro businesses**.
A. Overview

**Definition**

A decision-making system that provides analysis for audit target selection and tax base management based on accumulated tax data from TIS.

**Results**

1. Time-saving for investigation
   - More than a month ⇒ One day

2. Annual budget savings
   - More than 100 million KRW in 2003

3. Real-time statistics
   - Based on periodic reports from each tax office ⇒ without reports
A. Overview

**Definition**
A system that transmits a transaction through the terminals of a cash receipt by entering a, resident registration number, and phone number of a customer.

**Background**
Even policies to incentivize credit card usage turned out very successful, non-traceable cash transactions still remained.

**Objective**
To incorporate cash-based transactions into tax system in order to broaden tax base.

**Three Channels**
1. A cash receipt card, issued by the government without cost
2. Resident registration number
3. Cellphone number of a customer
B. Structure of Cash Receipt System

1. Purchase by cash
   Cash receipt card, resident registration number, cell phone number

2. Transmit real-time transaction details

3. Approve the transaction

4. Issue cash receipts

5. Transmit transaction details (once a day)

6. Provide expenditure history for tax settlement

7. Confirm the cash receipt

Customers

Businesses

NTS

Cash Receipt Operator

32
C. Effect

- Resulted in dramatic increase in the number of cash receipts issued and its amount
- In 2017, the number of cash receipt issues reached 4.79 billion cases and the amount of cash receipt issues was 108.6 trillion KRW (5.8 times higher than 2005)
A. Overview

Service that enables taxpayers to download and print out materials for year-end tax settlement, including receipts from hospitals, schools or financial institutions.

Time-consuming, costly and cumbersome year-end tax settlement process

1. High compliance costs for **employees**
   - For contacting and visiting all the associated institutions personally to get documents for tax evidence to submit them to withholding agents

2. High compliance costs for **document-issuing institutions**
   - For managing payment records and issuing receipts

3. High administrative costs for **withholding agents**
   - For verifying and storing submitted receipts
B. Structure

Structure of Simplified Year-end Tax Settlement Service

- A one-stop service for collecting various records (ex. receipts) on the website to claim income deduction and tax credit for wage & salary income
  - Launched independently from Home Tax in December 2006 and integrated into Hometax in 2015
  - Employees do not have to visit all related agencies to receive documents
- Service does not cover all receipts (ex. donations, housing rents, glasses, etc.) but has been expanding coverage
In 2017, more than 12 million taxpayers used the system, while 16 million dependents agreed to access their tax settlement information.

Total number of contact (taxpayers + dependents) increased by 6 times from 2006 to 2017.
# A. Overview

**e-Tax Invoice System (2010)**

## Definition

An online tax invoice system which enables online issuance and distribution of tax invoices, and its web-based transmission to the NTS

## Background

1. **Higher compliance costs** under new transaction environment
   - Transaction environment became more complicated and diversified
   - Transaction volume grew continuously
   - Costs for preparing, storing and reporting manual invoices increased

2. **Need to enhance transparency** of tax system
   - Difficulty remained in identifying tax evaders using false manual tax invoices
   - VAT-exempt transactions were even more vulnerable to fraudulent tax evasion

3. **Digitalization of economy** as a favorable condition
   - Digitalization matured both physical infrastructure and taxpayers’ culture-wise
   - Large enterprises started to issue tax invoices using ERP\(^1\) or ASP\(^2\) system

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**Note**:

1. ERP (Enterprise Resources Planning): An integrated management of main business processes, often in real-time and mediated by software and technology
2. ASP (Application Service Provider): A third-party entity that provides computer-based services to customers using the internet over a network
## B. Development

### From a voluntary to mandatory system

<table>
<thead>
<tr>
<th>Time</th>
<th>e-Tax Invoice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan, 2010</td>
<td>- Introduction of e-Tax Invoice System</td>
</tr>
<tr>
<td>Jan, 2011</td>
<td>- All corporate taxpayers</td>
</tr>
<tr>
<td>Jan, 2012</td>
<td>- Sole proprietors (taxable supplied value, ≥ 1 billion KRW, previous year)</td>
</tr>
<tr>
<td>July, 2014</td>
<td>- Sole proprietors (taxable supplied value, ≥ 0.3 billion KRW, previous year)</td>
</tr>
<tr>
<td>July, 2019</td>
<td>- Sole proprietors (taxable/tax-exempt supplied value ≥ 0.3 billion KRW, previous year)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Time</th>
<th>e-Invoice</th>
</tr>
</thead>
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<tr>
<td>April, 2013</td>
<td>- Introduction of e-Invoice System</td>
</tr>
<tr>
<td>July, 2015</td>
<td>- All corporate taxpayers</td>
</tr>
<tr>
<td></td>
<td>- Sole proprietors (taxable supplied value ≥ 0.3 billion KRW, previous year)</td>
</tr>
<tr>
<td>Jan, 2016</td>
<td>- Sole proprietors (gross income ≥ 1 billion KRW, previous taxation period)</td>
</tr>
<tr>
<td>Jan, 2017</td>
<td>- Sole proprietors (gross income ≥ 1 billion KRW, former taxation period)</td>
</tr>
<tr>
<td>July, 2019</td>
<td>- Sole proprietors (gross income ≥ 0.3 billion KRW, previous taxation period)</td>
</tr>
</tbody>
</table>
C. Benefits

### 2010 e-tax Invoice System

#### Issuance Channels
- ① ASP or EPR, with standard certification
- ② NTS system
- ③ Cash receipts system

#### ① Convenience
- No need to make a list of tax invoices issued and received

#### ② Accuracy
- Less cases of omission or error

#### ③ Efficiency
- Cost cutting for printing, storing, transporting paper invoices

#### ④ Transparency
- Less probabilities of producing forged receipts
Tax base based on VAT returns with e-tax invoice has been continuously increasing, reaching 3,097 trillion KRW in 2017. 
And tax amount is 280 trillion KRW.

Number of e-Invoice issued for VAT-exempt transactions for 2017 amounts to 66.9 million cases, while its amount reached 446 trillion KRW in 2017.
A. Overview

**Neo Tax Integrated System (2015)**

**Definition**
A next-generation tax system that integrates all tax-related systems into one

**Main Pillars**
NTIS is comprised of **Next-Generation Hometax**, an online portal tax payment service, and **Tax Administration Portal**, an integrated service for NTS internal employees

**Background**

1. **Need to modernize the existing Tax Integrated System (TIS)**
   - Tax Laws had been revised and more than 30 new systems had been adopted since 1997
   - Complex system distorted effective management of data and increased maintenance costs
   ⇒ **A fundamental system reform was required**

2. **Administrative and technological capability of Korea**
   - NTS had accumulated e-taxation know-how for 20 years
   - Matured IT technology made system development feasible
   ⇒ **A large-scale project (reorganization of 22,300 programs, 180 billion data) was possible**
B. Main Features

2015 Neo Tax Integrated System (NTIS)

Main Features

1. Expansion of pre-filled services
   - Reduces compliance costs of small taxpayers in particular
2. Expansion of mobile services
   - Provides more convenient access for taxpayers
3. Improvement of advance e-notice
   - Facilitates voluntary tax filing

Effects

1. Integrated system, customized/ubiquitous tax service and proactive guidance
   - Reduces compliance costs and helps build honest tax culture
2. Accurate analysis on tax sources and investigation, real-time information sharing
   - Prevents tax evasion and maximize tax revenue
3. Improvement of internal work system and integrated communication network
   - Increases productivity of NTS and reduces administrative costs
C. Services of Hometax

Main Services of Hometax

Source: National Tax Service
### Main Changes brought by Next-Generation Hometax

<table>
<thead>
<tr>
<th>Before</th>
<th>Service</th>
<th>After</th>
</tr>
</thead>
</table>
| • A number of websites established and operated independently  
• Different login and authentication procedures | Access to Websites | • Eight independent websites integrated into one portal  
• The standardized user authentication system |
| • E-Filing only available for periodic tax filing  
• Limited pre-filled service | Tax Items for E-filing | • E-Filing available for all tax items except for inheritance tax  
• After-due-date filing, amended filing and request for correction available  
• Expanded pre-Filled service (43 categories were added) |
| • Some attached documents and evidential documents unable to be submitted through e-filing | Document Submission | • Any attached documents or evidential documents submitted in PDF format available for e-filing |
| • Limited online tax certificate issuance hours were limited (Weekday 09:00~19:00, Sat. 09:00~13:00)  
• Limited number of tax certificates issuable online (20) | Tax Certificate Issuance | • Tax certificates issued 24/7 (available on Sundays and holidays)  
• The number of tax certificates issuable online increased (41) |
| • A day or two taken to confirm payment details at the Bank of Korea | Confirmation of Payment | • The details of payment immediately confirmed |
IV. Its Achievements
A. Reduced Compliance Costs

❖ Unit costs has been reduced
  ▪ ∆ Cost/business person -11%, ∆ Cost/sales -8.4%, ∆ Cost/tax revenue -13.3%
  ※ Increase of total compliance costs(+12.4%) was attributable to the increase of number of businesses and inflation

❖ Four main categories of tax administration shows improvement
  ▪ ∆ Certificate issuance -16.4%, ∆ Document receipts -20.9%,
  △ Book-keeping -24.8%, ∆ Tax filing and payment -14.4%

Trend of Compliance Costs in Korea

<table>
<thead>
<tr>
<th>Costs</th>
<th>Unit</th>
<th>2011</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Amount</td>
<td>Rate</td>
<td></td>
</tr>
<tr>
<td>Total Cost</td>
<td>Trillion KRW</td>
<td>9.8878</td>
<td>11.1179</td>
<td>1.2301</td>
</tr>
<tr>
<td>Unit Cost</td>
<td>Million KRW</td>
<td>1.82</td>
<td>1.62</td>
<td>-0.2</td>
</tr>
<tr>
<td></td>
<td>KRW</td>
<td>20.2</td>
<td>18.5</td>
<td>-1.7</td>
</tr>
<tr>
<td></td>
<td>KRW</td>
<td>54.9</td>
<td>47.6</td>
<td>-7.3</td>
</tr>
</tbody>
</table>

Compliance Costs by Administration (Unit: KRW, %)

<table>
<thead>
<tr>
<th>Administration</th>
<th>2011</th>
<th>2016</th>
<th>Change Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate Issuance</td>
<td>9.6</td>
<td>8.0</td>
<td>-16.3%</td>
</tr>
<tr>
<td>Document Receipt</td>
<td>17.2</td>
<td>13.6</td>
<td>-20.9%</td>
</tr>
<tr>
<td>Book-keeping</td>
<td>8.3</td>
<td>6.2</td>
<td>-24.8%</td>
</tr>
<tr>
<td>Tax Filing and Payment</td>
<td>12.1</td>
<td>10.4</td>
<td>-14.4%</td>
</tr>
<tr>
<td>Total</td>
<td>47.2</td>
<td>38.2</td>
<td>-19.0%</td>
</tr>
</tbody>
</table>

Source: Analysis on Compliance Costs of National Tax Administration in Korea (2018), conducted by KIPF
B. Improved Convenience

- Significantly enhanced taxpayers’ convenience by providing ubiquitous tax services
  - Tax services provided regardless of time and space
  - Reduced number of visits to tax offices
  - Reduced physical document preparation process

- Hometax users have been increasing
  - (Visitors) As of the end of 2015, the accumulated number of visitors to Hometax amounts to 2.3 billion
  - Since the launch of Next-Generation Hometax, the number of visitors has exceeded 1 billion annually
  - (Registration) As of September 2016, the total number of Hometax registered members amounts to 12 million, with a rate of business owners’ registration 87%

### Hometax Users (as of Sep, 2016)

<table>
<thead>
<tr>
<th>Total Business Owners (①)</th>
<th>Total (②=③+④)</th>
<th>Members</th>
<th>Non-Business Owners (④)</th>
<th>Registration Rate (③/①)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Subtotal (③)</td>
<td>Business Owners</td>
<td>Corporation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Self-employed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7,362</td>
<td>12,469</td>
<td>6,403</td>
<td>5,538</td>
<td>865</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Unit: 1,000 Persons)
Its Achievements

B. Improved Convenience


- E-filing usage rate increased dramatically, particularly of VAT and Global Income Tax
  - VAT e-filing grew from 33.8% in 2003 to 92.8% in 2017, marking a 59% increase
  - Global Income Tax e-filing increased by 53% from 2003 to 2017, scoring 96.5% in 2017

<table>
<thead>
<tr>
<th>Tax Category</th>
<th>2003</th>
<th>2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT</td>
<td>33.8%</td>
<td>92.8%</td>
<td>+ 59%p</td>
</tr>
<tr>
<td>Global Income Tax</td>
<td>43.5%</td>
<td>96.5%</td>
<td>+ 53%p</td>
</tr>
<tr>
<td>Corporate Income Tax</td>
<td>92.7%</td>
<td>99%</td>
<td>+ 6.3%p</td>
</tr>
<tr>
<td>Withholding Tax</td>
<td>60.8%</td>
<td>99.4%</td>
<td>+ 38.6%p</td>
</tr>
</tbody>
</table>

(Unit: %)
C. Enhanced Transparency

<table>
<thead>
<tr>
<th>System</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Deduction for Credit Card Usage</td>
<td>Toward cashless economy</td>
</tr>
<tr>
<td>Cash Receipt System</td>
<td>Transparent B2C transactions even using cash</td>
</tr>
<tr>
<td>e-Tax Invoice System</td>
<td>Transparent B2B transactions</td>
</tr>
<tr>
<td>e-Invoice System</td>
<td>Transparent VAT-exempt B2B transactions</td>
</tr>
</tbody>
</table>

Improved e-taxation system made it possible to track and crosscheck transactional information of businesses and individuals with credible electronic evidences.
C. Enhanced Transparency

- Tax base based on VAT returns with e-tax invoice has been continuously increasing, reaching 3,097 trillion KRW in 2017.
  - And tax amount reached 280 trillion KRW.

- Number of e-Invoice issued for VAT-exempt transactions for 2017 amounts to 66.9 million cases, while its amount reached 446 trillion KRW in 2017.
C. Enhanced Transparency

Cards Usage and Cash Receipts in Private Consumption Expenditure

- Total amount of transactions traced either by cash receipts or credit/debit cards reached 92% of private consumption expenditure in 2017.
- Amount issued by cash receipts reached 108 trillion KRW.
- Amount paid by credit cards recorded 655 trillion KRW.
  - 485 trillion KRW by credit cards (excluding short-term cash advance).
  - 170 billion KRW by debit cards (debit + check cards).

Note: 1) Credit card usage excludes short-term cash advance.
2) Debit card includes check cards and debit cards.
D. Increased Tax Revenue

- Development of e-taxation system contributed to systematic approach to tax sources, resulting in increase of tax revenue
  - Tax revenue has increased 4 times since 1996, reaching 345.8 trillion KRW in 2017
  - Tax-to-GDP ratio (incl. social contribution) increased by 7.1% from 1996 to 2017, recording 26.9% in 2017
- Fair and convenient taxation system reduces tax resistance and encouraged voluntary faithful tax payment
E. Broadened Tax Base

- E-taxation contributed to identify hidden tax sources, leading to broaden tax base in general
  - Number of taxpayers has continuously increased from 10 billion in 2002 to 17.28 million in 2017
  - Number of taxpayers for Global Income Tax amounts to 6.9 million in 2017
  - Number of taxpayers for Value Added Tax amounts to 6.3 million in 2017
Number of taxpayers of Global Income Tax under threshold has decreased

- Number of taxpayers under threshold decreased from 2 million in 1999 to 1.3 million in 2013
- Total number of taxpayers increased from 3.4 million to 5.6 million, resulting in reduction of rate of taxpayers under threshold drastically from 60% to 23%

The data shall not be counted for statistics from 2014 for accuracy, as the number of taxpayers under tax threshold and taxpayers subject to final tax return are estimated figures.
A. Conclusion

Institutional Reform and Technological Innovation for Better Tax Administration

- Efficiency
- Accuracy
- Transparency

Fair Tax system

Voluntary and faithful tax filing

Public trust in tax administration

Future Development

1. Expanding interactions with external institutions
2. Providing better mobile services
3. Using the latest ICT including Big Data
4. Developing into a more user-friendly system
Thank You!