
Request for Cooperation in Ensuring Compliance by Korean Subsidiary (or Branch) with Submission Obligations for Statements of Stock-Based Compensation

(January 2025, International Taxation Division, NTS)

This notice serves to inform you of a tax reporting obligation that may apply to certain executives or employees of your Korean subsidiary, and to request your cooperation in providing the relevant data to the National Tax Service (NTS).

Thank you for your continued cooperation with the tax administration of the Republic of Korea.

According to the Korean tax law, any gains from **'stock-based compensation, etc.'*** granted by a foreign parent company to (or exercised by) an executive/employee of its Korean subsidiary (or branch) in return for his or her services are regarded as **'wage and salary income'** (or 'other income' if the executive/employee has exercised or received it after retiring from the company). An executive/employee who has such income is **required to report it to the tax authority and to pay the corresponding income tax.**

* For example, stock options, employee stock purchase plan (ESPP), restricted stock units (RSU), performance share units (PSU), stock appreciation rights (SAR) and phantom stocks (PS) among others.

Additionally, when an executive/employee of a Korean subsidiary (or branch) has either exercised stock options or received stock-based compensation granted by a foreign corporation that is a controlling shareholder, the Korean tax law* mandates the Korean subsidiary (or branch) to **submit a "Statement of Stock Options and Other Transactions"** to the head of the relevant tax office.

* Income Tax Act, Article 164-5 "Submission of Statement of Overseas Stock Options and Other Transactions" (Effective from January 1, 2024).

We kindly request your cooperation in ensuring that your Korean subsidiary (or branch) submits the required **statement of stock-based compensation you, as the foreign controlling shareholder, granted** to its executives/employees (including former executives/employees) to the relevant tax office **by March 10th of the year following the taxable period in which the compensation was granted.**