



e-Tax Administration in Korea & Its Achievements

2017 . 05

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About Greece



Greece

- **Capital** : Athens
- **Population** : 10.78 million (1/5 of Korea)
- **Currency** : Euro
- **Area** : 131,957km² (1.4 times of Korea)

- **Philosopher** : Aristoteles, Socrates, Plato
- The **cradle of ancient Olympic**, Athens
- **17 UNESCO World Heritage Sites**
- Euro 2004 Champion

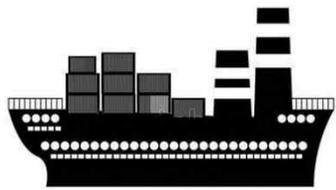
Relations between Korea and Greece

Korea and Greece are closely cooperating in various fields



Korean War

Greece dispatched 10,000 troops to South Korea
196 Greeks were killed in the Korean War



Shipbuilding and Shipping

Korea ranks first in the world in shipbuilding
Greece is the world leader in shipping
Korea and Greece are partners in the both field

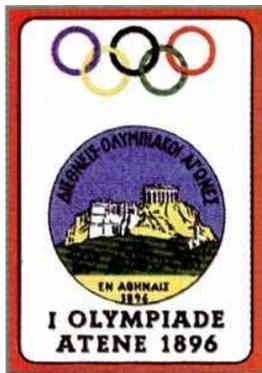


Trade Trend

Export to Greece surged \$13.1 billion, up 57.7 percent year-on-year
Export mainly shipping and import naphtha

Common denominators of Korea and Greece

Olympic games, Geological characteristics



Olympic Games

Greece

1896, 1st Athens

2004, 28th Athens – Korea 9th, Greece 15th

Korea

1988, 24th Seoul – Korea 4th, Greece 46th

Geological Characteristics

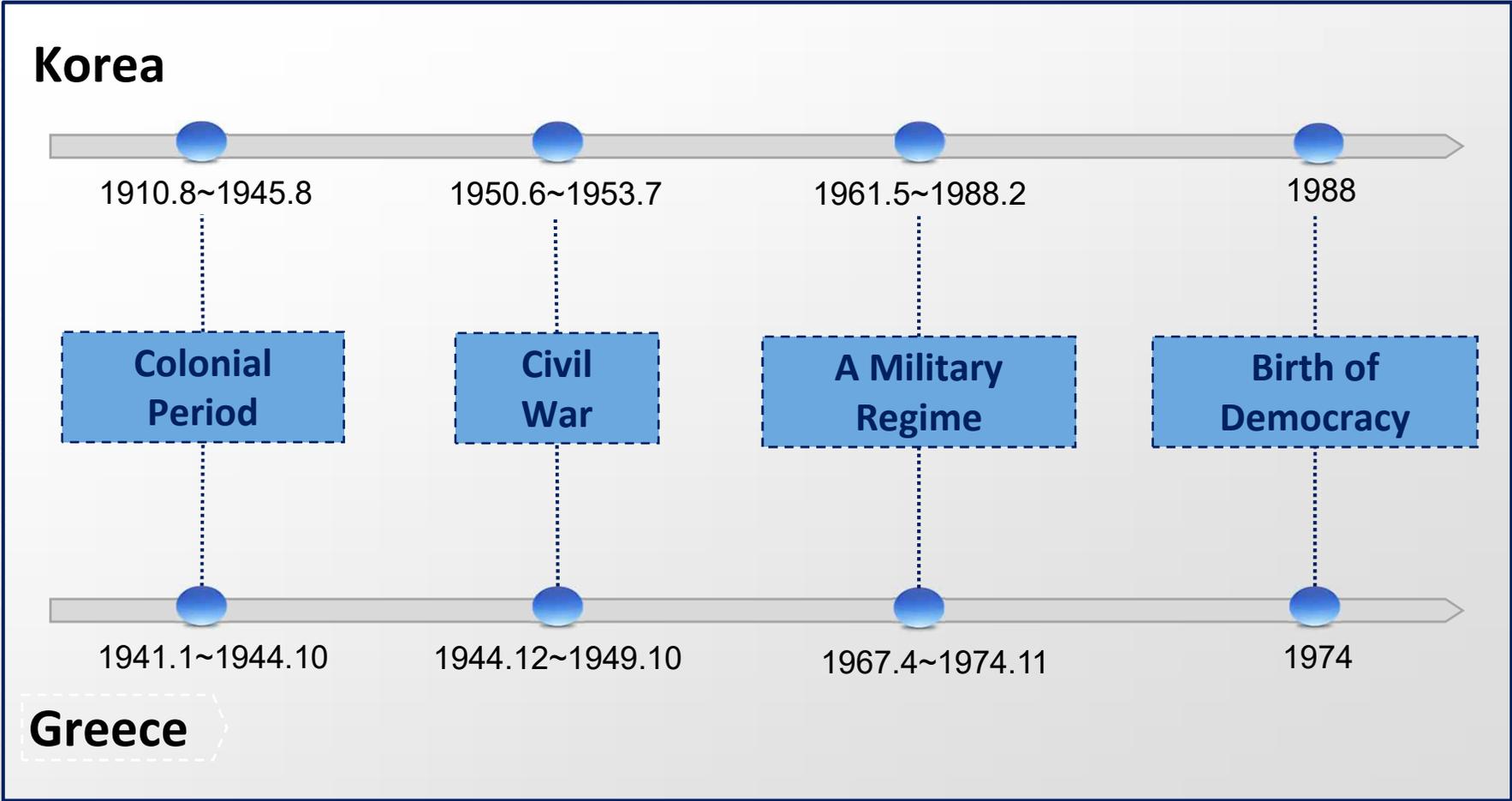
Same as **38 degrees north latitude**

Same as **peninsula**



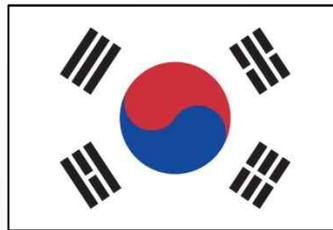
Common denominators of Korea and Greece

Historical background



Economic Comparison of Korea and Greece

Comparison of economic key indicators



	2014	2015	2016	2014	2015	2016
GDP per capita	27,805	27,097	27,533	21,648	17,657	18,078
Economic growth rate	3.3%	2.8%	2.8%	0.7%	-0.2%	-0.3%
Unemployment rate	3.5%	3.6%	3.7%	26.5%	24.9%	24.7%
National debt (GDP compared)	43.7%	44.8%	45.0%	174.1%	176.9%	182.8%

Economic Development of Korea

5 year Economic
Development Plans

IMF
bailout

Now

1953

1962~66

Now

Due to Korean War, destroyed to ashes

- \$1.3 billion GDP (\$67 GDP per capita, 109th)
- \$1.7 million Tax Revenue



The 1st Five-Year Plan(62~66)

- Expanding **Electrical/Coal Energy Industry**
- Constructing **Basic Industry Steel & Cement**



Economic Development of Korea

5 year Economic
Development Plans

IMF
bailout

Now

1967~71

1972~76

Now

The 2nd Five-Year Plan(67~71)

- **Industrialization**
- Construction of Pohang Iron & Steel Co.
- Completion of GyeongBu Expressway (1970)



The 3rd Five-Year Plan(72~76)

- Economic Independence
- Construction of **Heavy Chemical Industry**
- Gumi, Changwon, Ulsan Industrial Complex



Economic Development of Korea

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IMF
bailout

Now

1977~81 1982~86

Now

The 4th Five-Year Plan(77~81)

- Social Development
- Technological Innovation
- Introduction of National Health Insurance



The 5th Five-Year Plan(82~86)

- Stability, Efficiency and Balance



Economic Development of Korea

5 year Economic
Development Plans

IMF
bailout

Now

1987~91 1992~96

Now

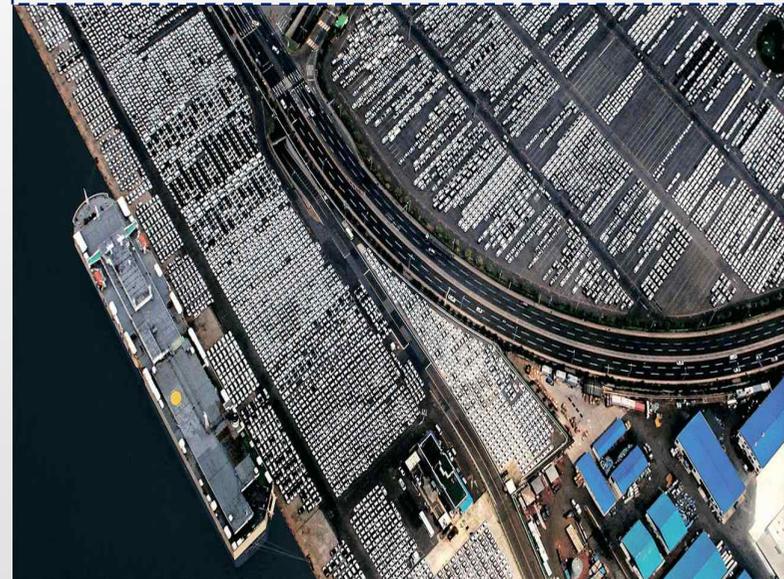
The 6th Five-Year Plan(87~91)

- Economic Advancement
- Enhancing National Welfare
- **Holding Seoul Olympic (1988) – Korea: 4th**



The 7th Five-Year Plan(92~96)

- Balanced Development
- **Globalization**
- **Becoming a member of OECD (1996)**



Economic Development of Korea

5 year Economic Development Plans

IMF bailout

Now

Now

IMF bailout request (1997.12.3)

- **Total amount of \$ 55 billion**
(IMF \$ 21bn, World Bank \$ 10bn, ADB \$ 4bn, etc.)
- A chain bankruptcy of large enterprises
- Large-scale **restructuring and austerity**

Early retirement (2011.8.23)

- About 3.51 million people participated in the gold collecting campaign, about 227 tons of gold, which amounted to about \$ 2.13 billion
- **Paid 3years ahead of schedule**

Indicator	1997	1998	1999	2000
Growth rate	5.9	-5.5	11.3	8.9
Unemployment rate	3.1	4.5	8.7	4.4
Consumer price fluctuation rate	4.4	7.5	0.8	2.3
Credit rating	A3 → Baa2 → Ba1			



Economic Development of Korea

5 year Economic
Development Plans

IMF
bailout

Now

Now

2002 FIFA World Cup held in Korea (2002)

- The Korea team ranked 4th in the world cup



Economic Development of Korea

5 year Economic
Development Plans

IMF
bailout

Now

Now

Accomplishing **1 trillion dollars of trade (2011)** – **5,400 times** increased since 1948

\$1000000000000 \$ 1.08 tr (2012)

Main Export



Quantum Leap in Trading

Unit: USD, () represents ranking



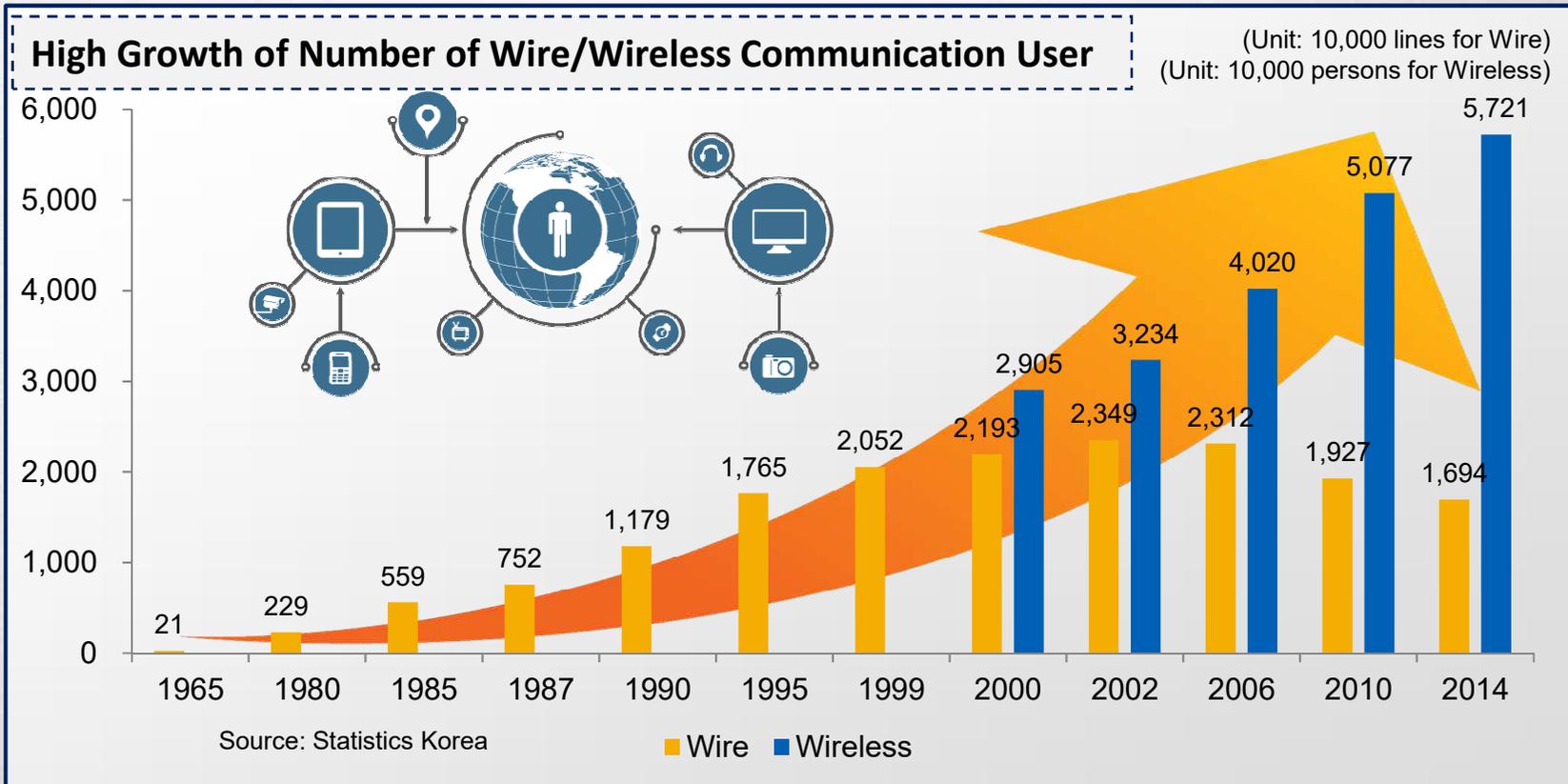
Economic Development of Korea

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Now

Now



Economic Development of Korea

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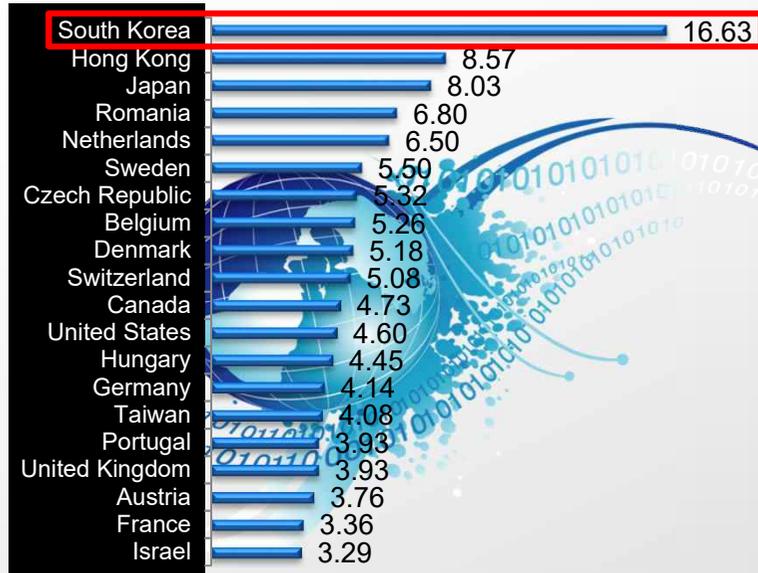
IMF
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Now

Now

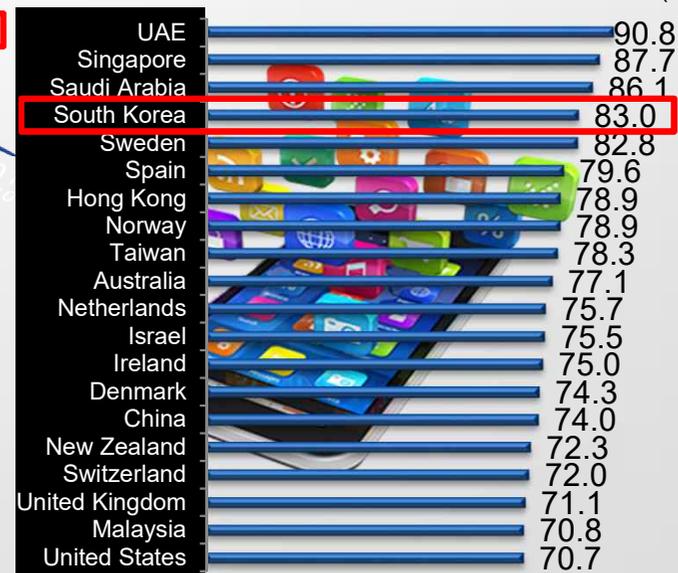
Fast Connection Speeds and High Rate of Smartphone Distribution

Average Connection Speeds for the Top 20 Countries on the Internet (Unit: Mbit/s)



Source: Akamai (2013)

Smartphone Distribution Rate for the Top 20 Countries (Unit: %)



Source: TNS Infratest (2015)

Economic Development of Korea

5 year Economic
Development Plans

IMF
bailout

Now

Now

10 Things Korea does better than anywhere else – CNN, 2013

1. Tech Culture

- The most wired country in the world
- **82.7%** internet penetration

2. Whipping out the plastic

- The world's top users of credit cards
- **129.7** transactions per person

5. Innovative cosmetics

- Korea's obsession with beauty fuels a massive cosmetics industry

3. Overworking

- Koreans work **44.6** hours per week compared to the OECD average of **32.8**



4. Business boozing

- **Soju** (Korean distilled rice liquor) was the world's best-selling liquor

Economic Development of Korea

5 year Economic
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IMF
bailout

Now

Now

10 Things Korea does better than anywhere else – CNN, 2013

6. Female golfers

- Of the top **100** female golfers in the world, **38** are Korean

7. Starcraft

- Starcraft is actually a career, with hundreds of thousands of dollars in earnings

10. Plastic Surgery

- Would-be swans from around the world flock to Korea on plastic surgery

8. Flight Attendants

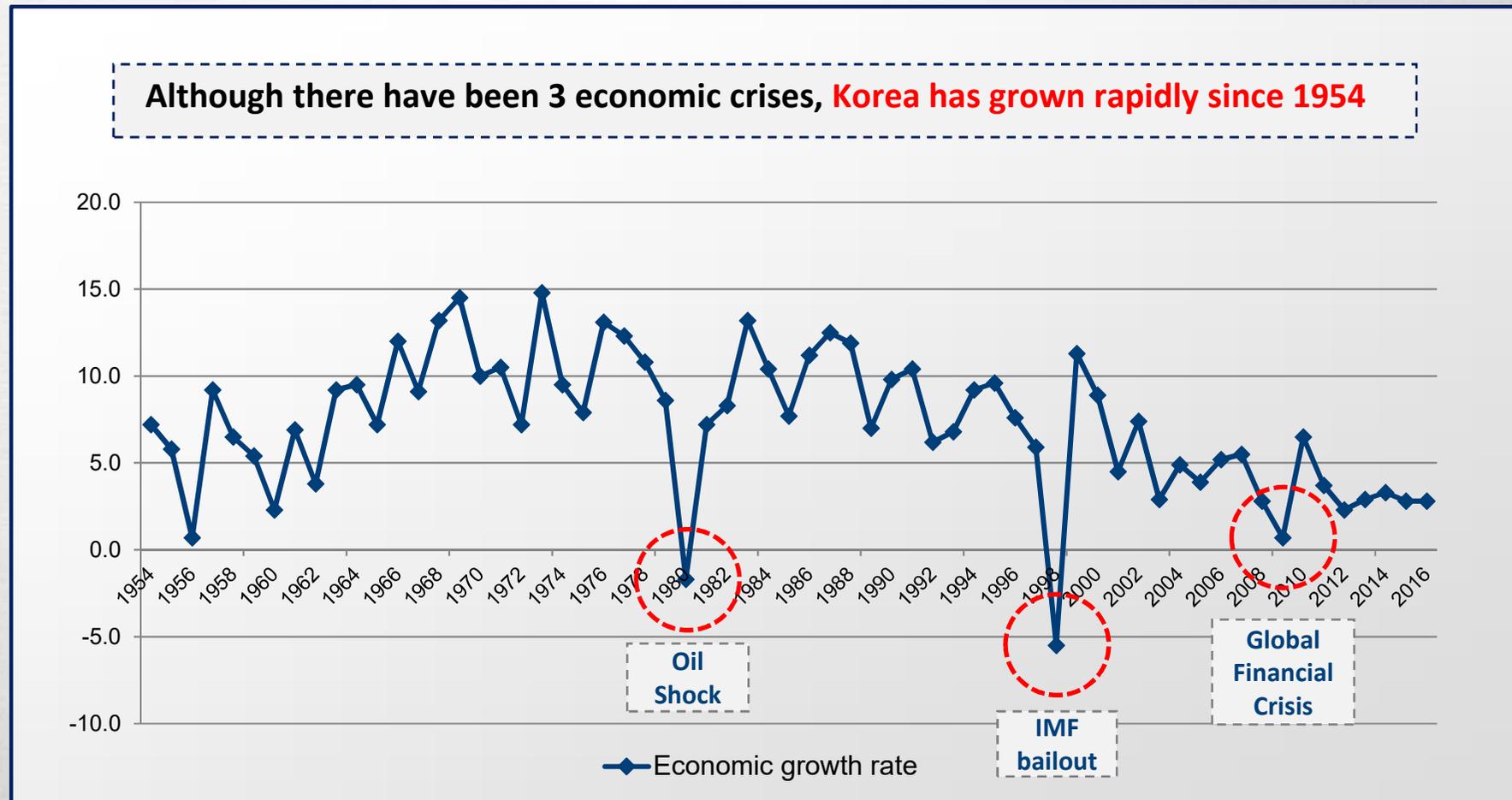
- Korean airlines' flight attendant training centers are the global charm schools of the aviation world

9. Blind dates

- It's a way of life for Korean. **2,500** match making companies in the country

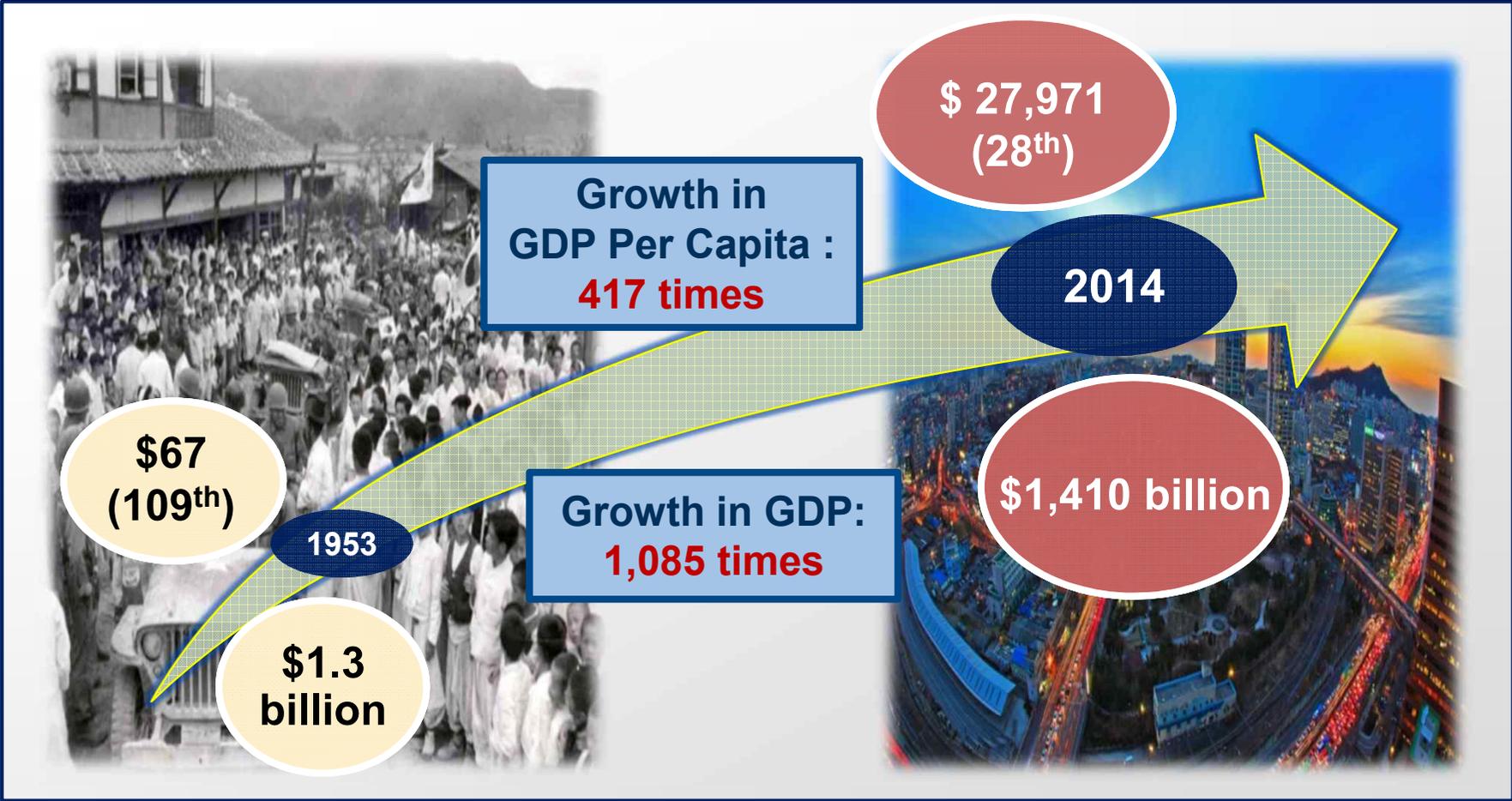
Economic Development of Korea

Korea's economic growth rate from 1953 to 2016



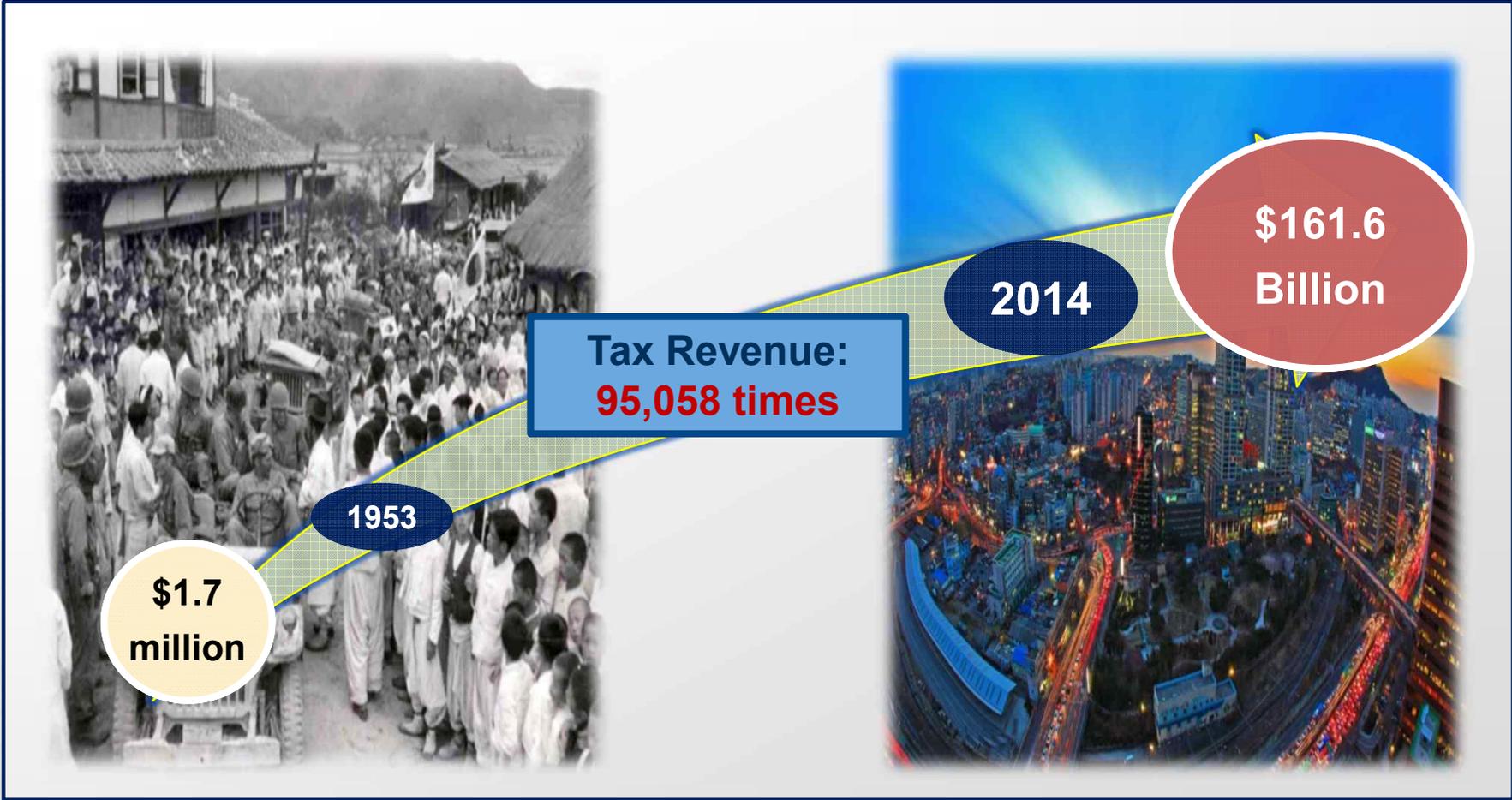
Growth of GDP per capita and GDP

The economy grew rapidly from 1953 to 2014



Growth of Tax Revenue

Increase in tax revenue leads to economic growth



Tax Administration Reform

Tax Administration Reform

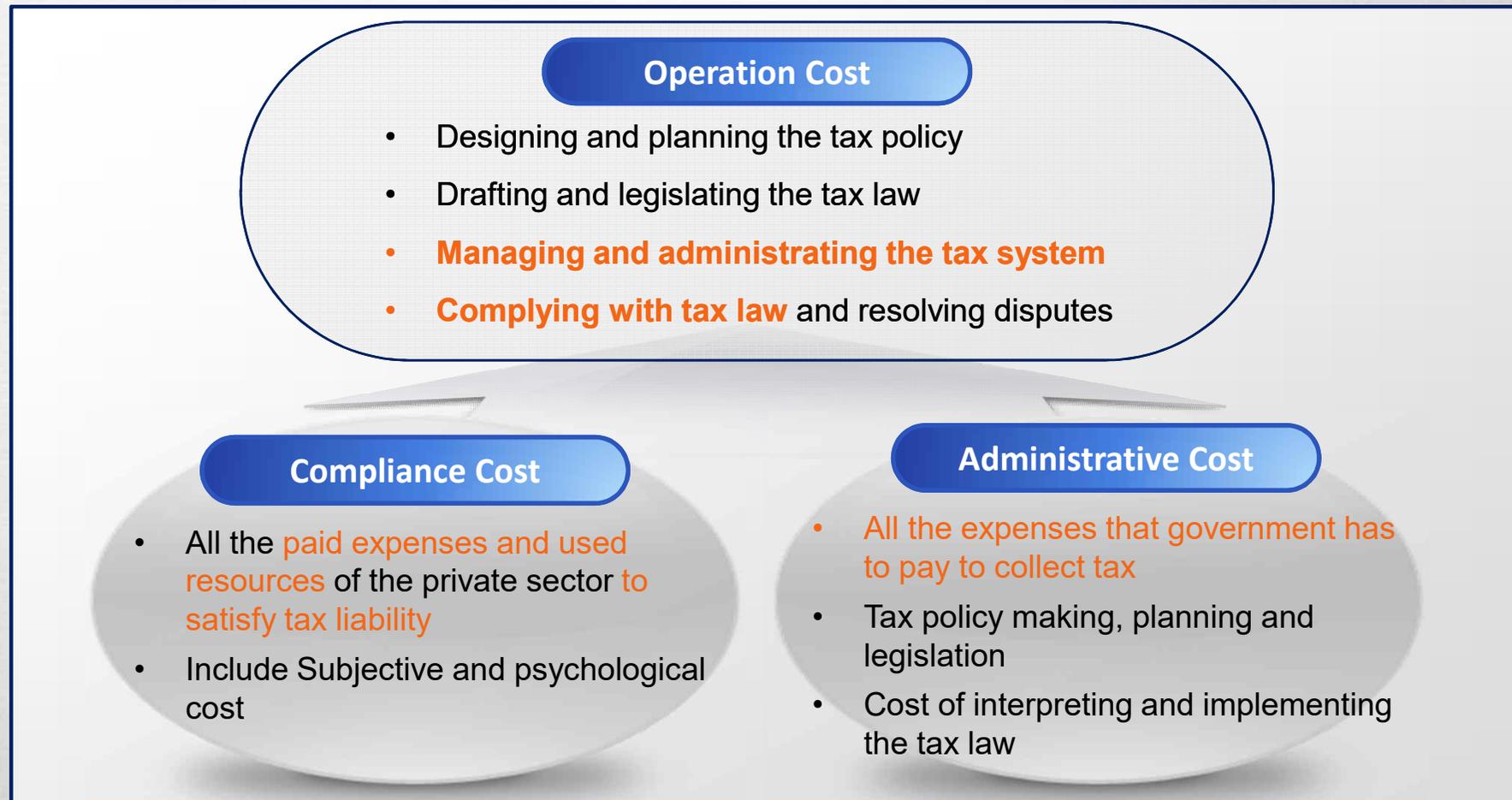
Reason for tax administration reform

- Improving the **costly and inefficient tax administration**
- **Preventing any tax evasion and smuggling** which can bring economic losses to society
- **Reducing the expenses** coming from frequent visits to the tax office due to tax related work and psychological burden caused by scrutiny from tax investigation authorities

Developed countries pursued tax administration reform in order to simplify taxation rules, and so lead to desirable consequences such as a **reduction in the social costs and psychological burdens of tax planning**

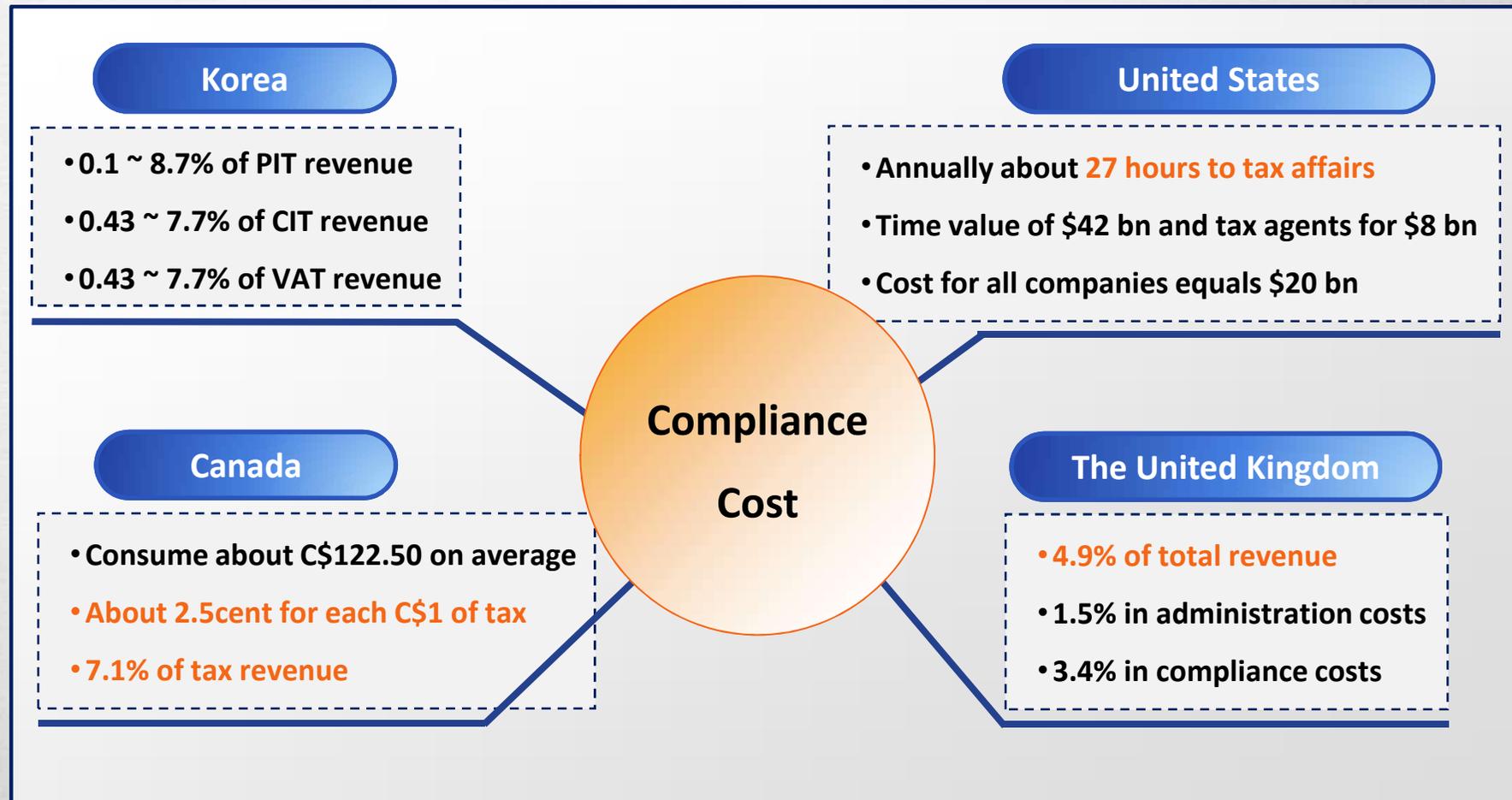
Operating Cost

The social cost of tax complexity is the sum of administrative cost and compliance cost



Compliance Cost

Examples of compliance cost



***e*-Tax Administration Reform in Korea**

e-Tax Administration

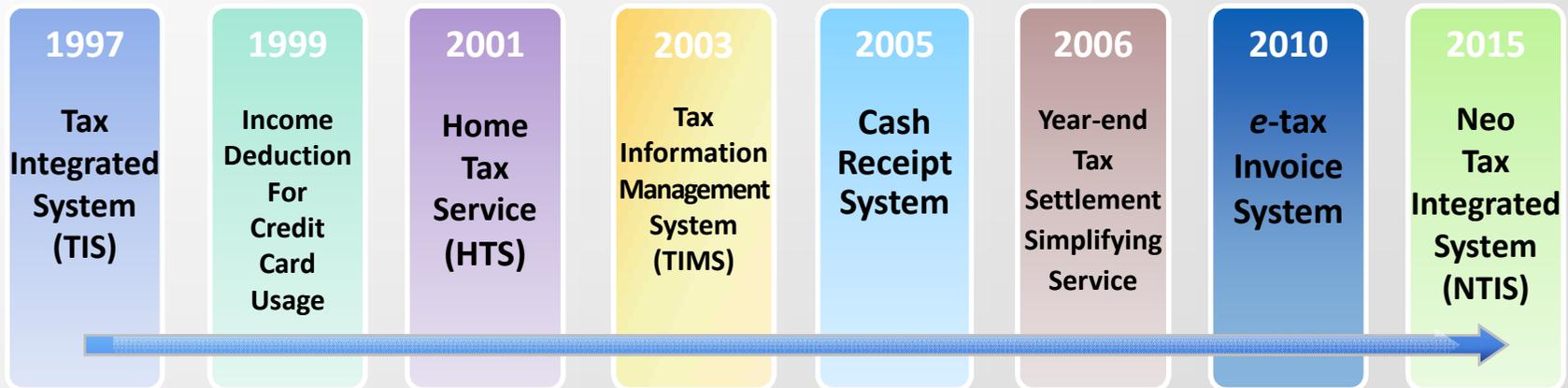
Background

Demands on efficiency, transparency and the desire to **improve the public service** of tax administration **through IT**

e-Tax Administration

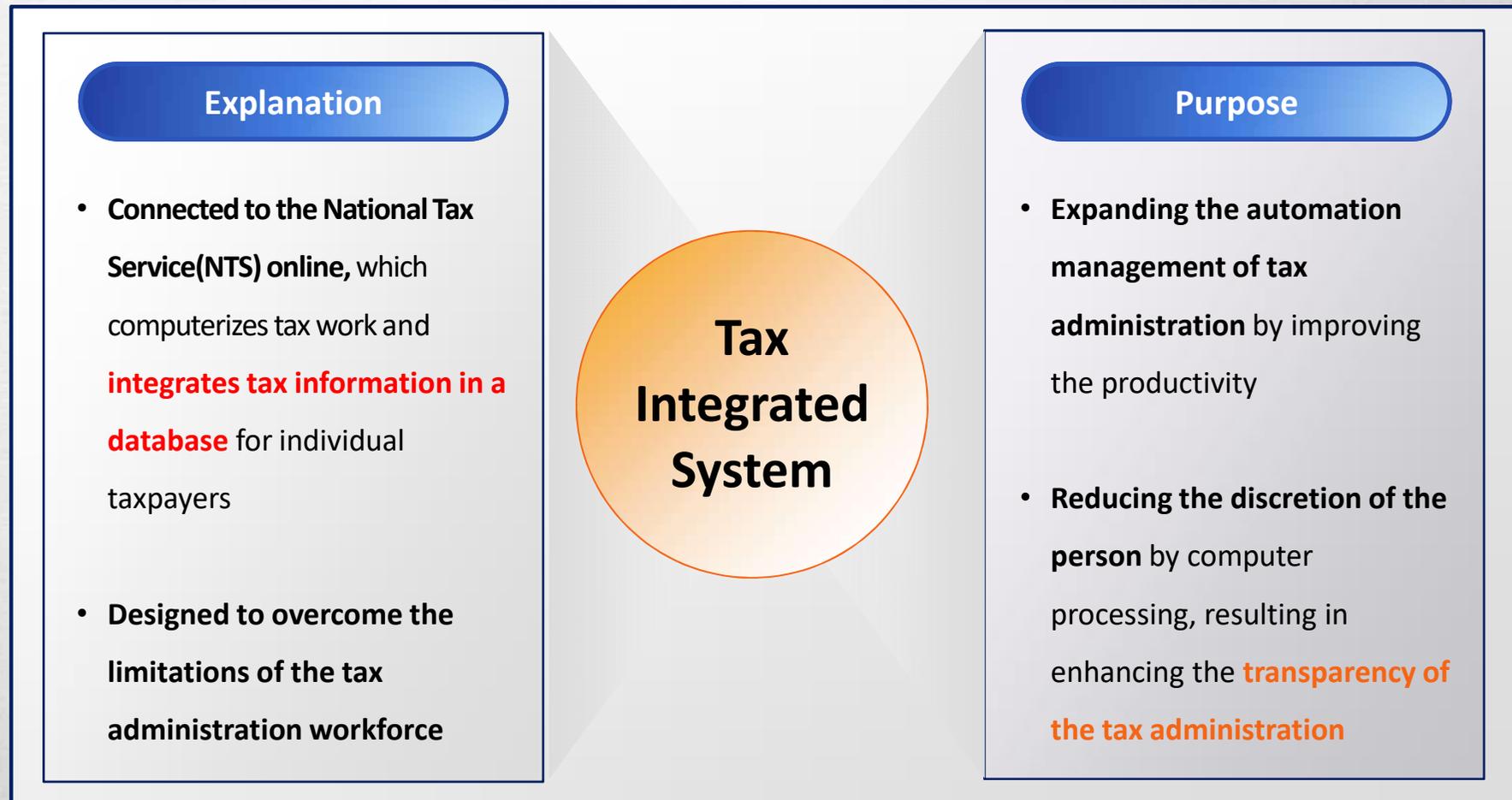
The need for strict processes of identifying and managing information to **increase tax revenue**

Process



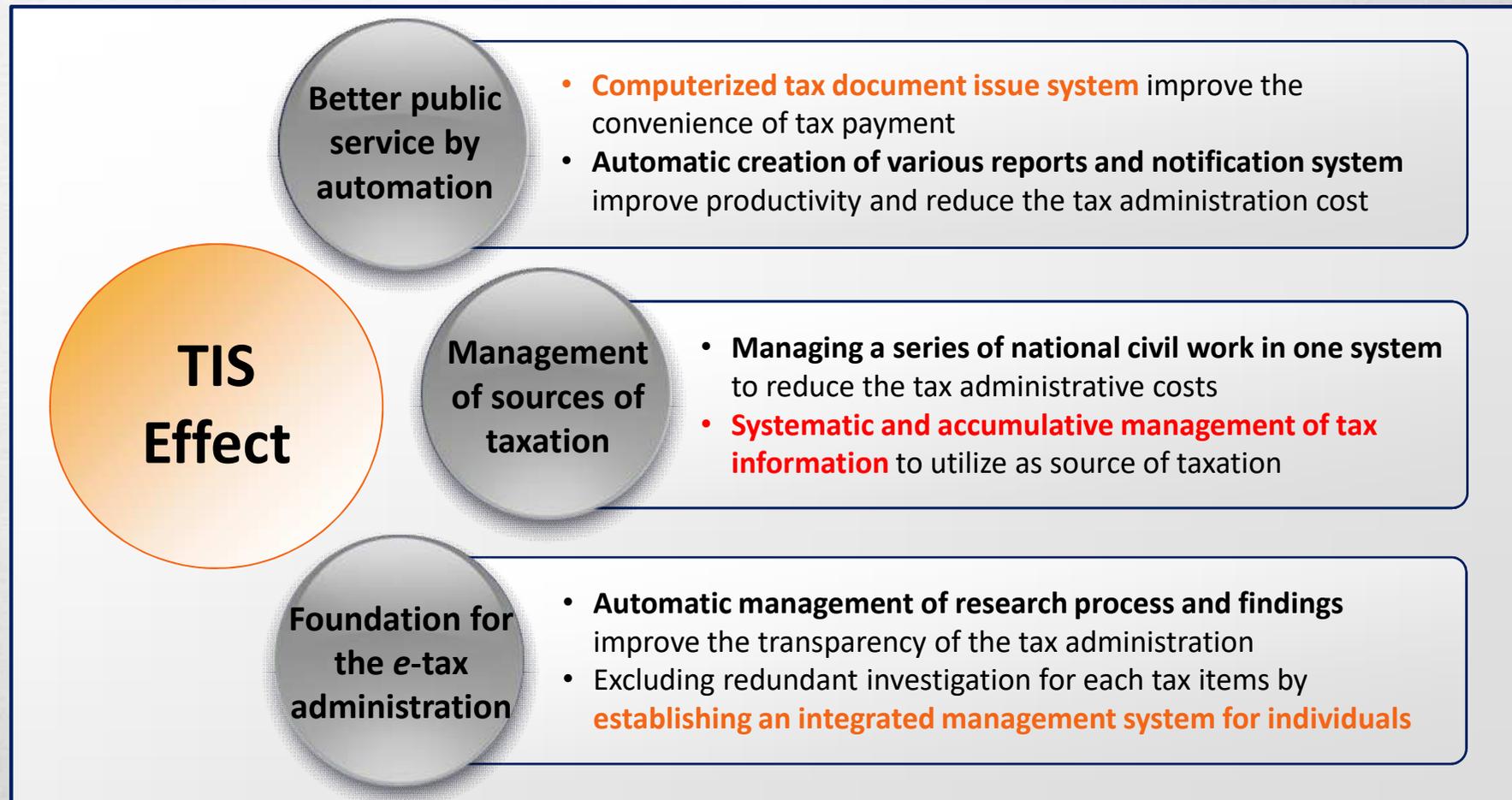
① Tax Integrated System (1997)

Explanation and Purpose of Tax Integrated System (TIS)



① Tax Integrated System (1997)

Effects of Tax Integrated System (TIS)

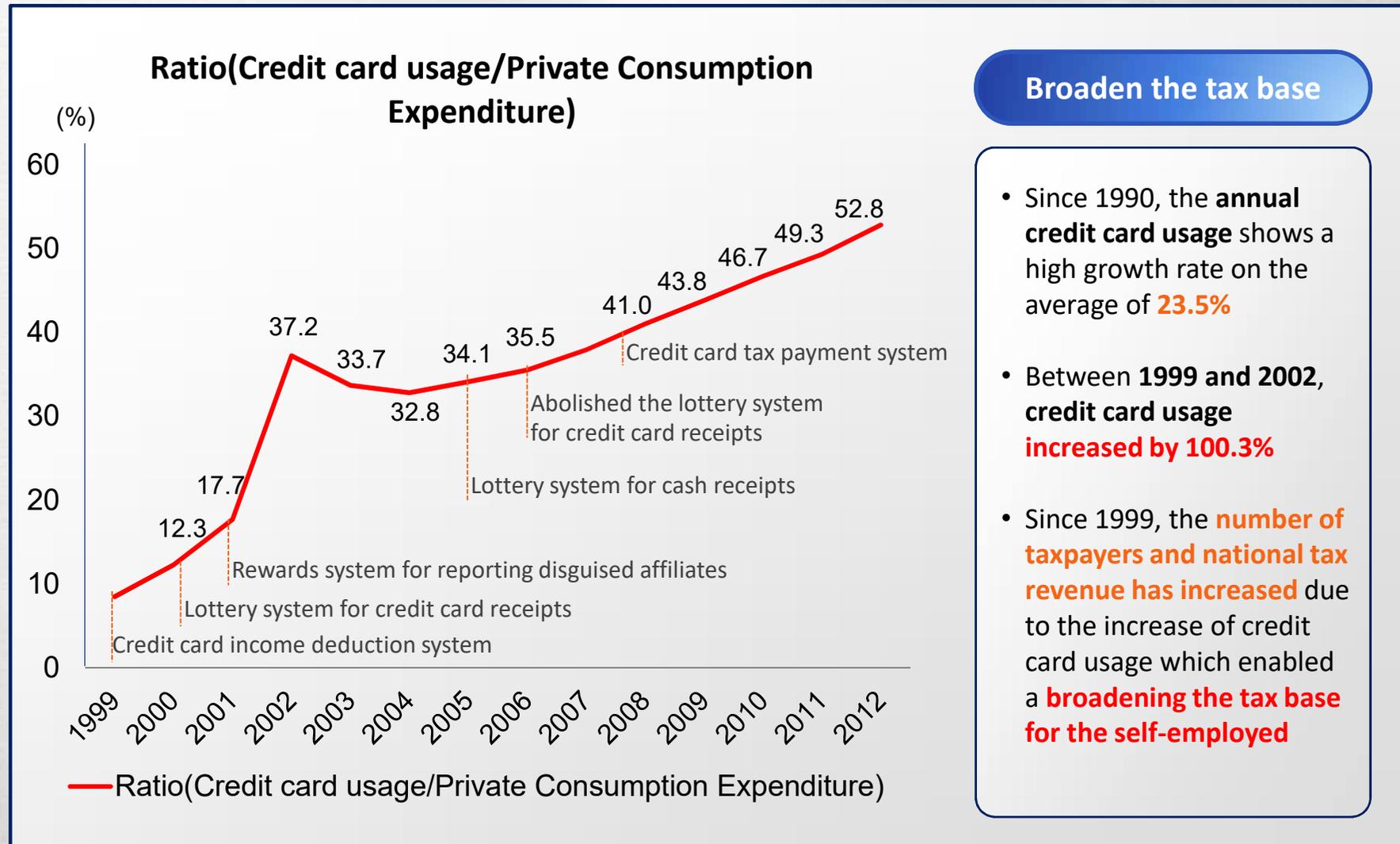


② Income Deduction for Credit Card Usage (1999)

Tax Incentive Policies to Vitalize Credit Card Usage

	Enacted Acts
1990	<p>1994 Introduced 『VAT Tax Credit for Credit Card Sales Slips』</p> <p>1999 Started 『Credit Card Income Deduction』</p>
2000	<p>2000 Enacted 『Lottery System for Credit Card Receipts』</p> <p>2001 Introduction of rewards system for reporting disguised affiliates</p> <p>2005 Enacted 『Lottery System for Cash Receipts』</p> <p>2006 Abolished 『Lottery System for Credit Card Receipts』</p> <p>2008 Introduction of tax payment system by credit card</p> <p>2011 Abolished 『Lottery System for Cash Receipts』</p>

② Income Deduction for Credit Card Usage (1999)



② Income Deduction for Credit Card Usage (1999)

Income deduction in accordance the use of credit card

For Consumer

- Amount of usage on a credit card exceeds certain percentage of annual gross salary, gain a income deduction on the exceeding amount within the limit
- The purpose of the policy is to stimulate a broadening of the tax base by reducing the burden of taxation

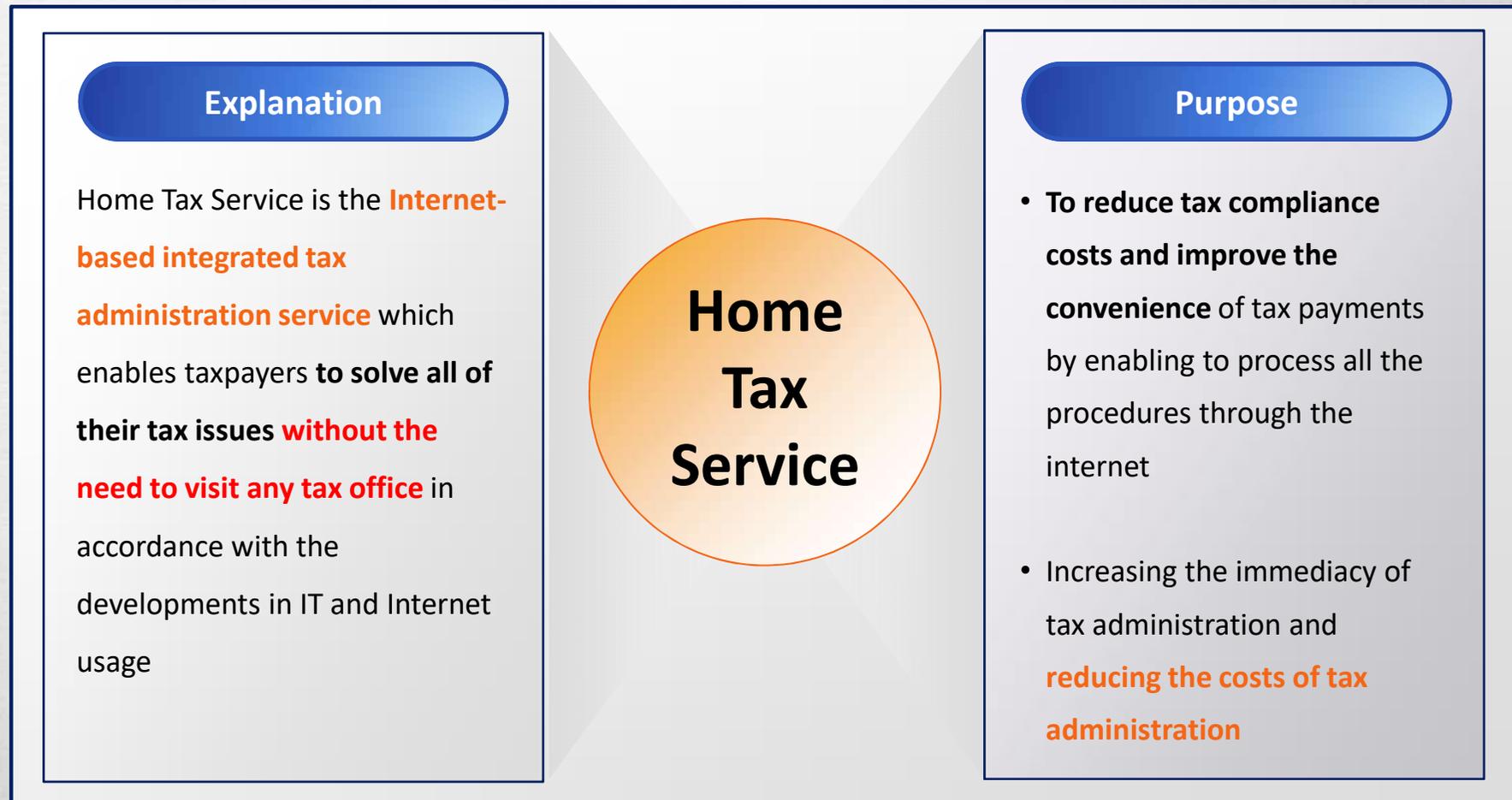
Income Deduction for Credit Card Usage

Development of Income deduction

	1999.09	Now
Deduction rate	10%	Credit card – 15% Cash receipt – 30%
Deduction limit	Min (3,000,000, 10% of salary)	Min (3,000,000, 20% of salary) + Transportation + Traditional Market
Minimum spending on salary	10%	25%

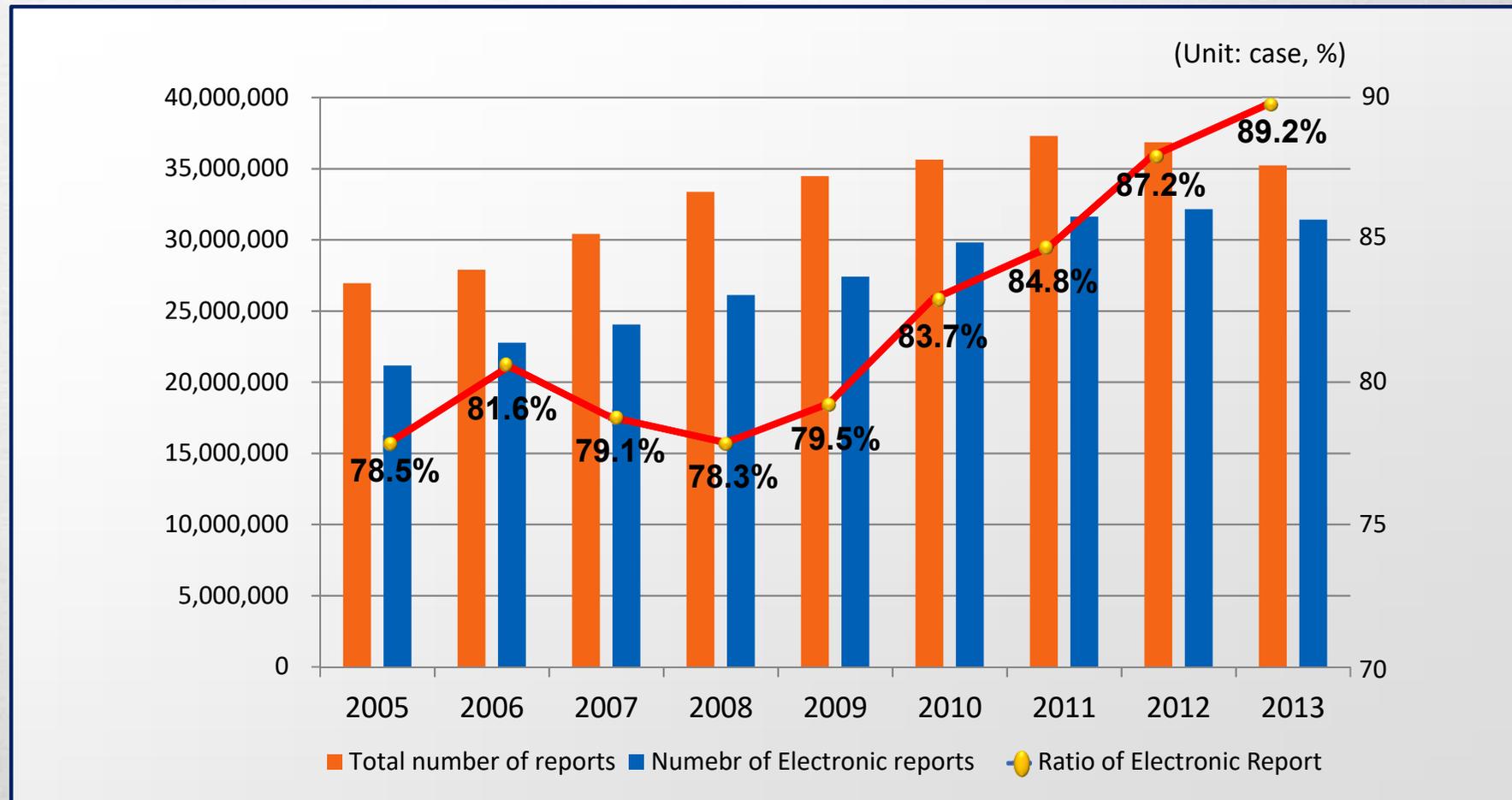
③ Home Tax Service (2001)

Explanation and Purpose of Home Tax Service



③ Home Tax Service (2001)

Trends of Tax Filed Electronically



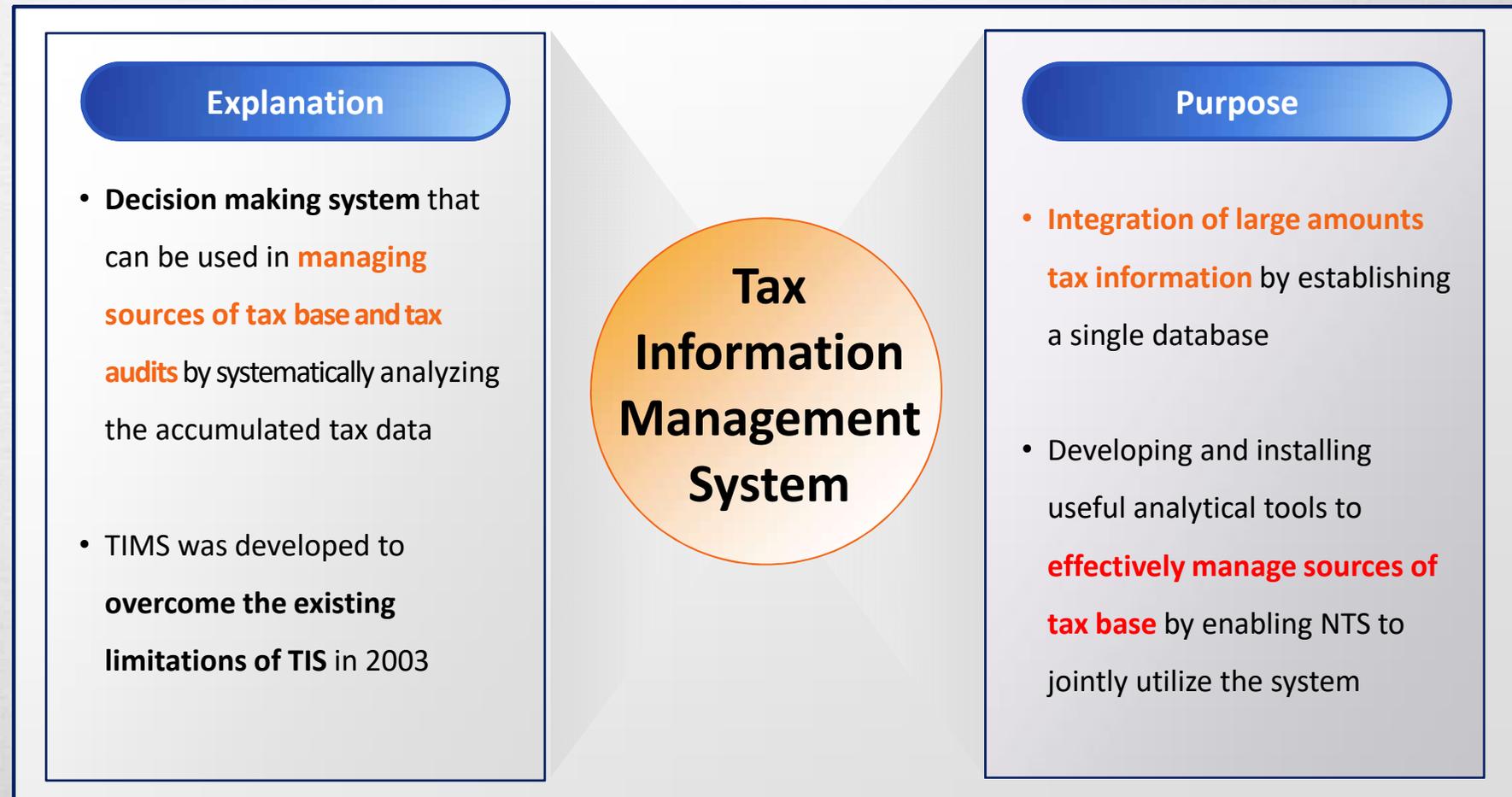
③ Home Tax Service (2001)

Ratio of Electronic Tax Filing

Tax Items	Sort	Year								
		2005	2006	2007	2008	2009	2010	2011	2012	2013
VAT	Total(A)	9,548,093	9,737,879	10,531,788	11,372,565	11,929,903	12,163,373	12,547,309	11,872,788	10,663,434
	Electronicfile(B)	7,198,253	7,684,730	7,910,377	8,429,093	8,895,728	9,613,232	10,072,675	9,818,730	9,049,961
	Ratio(B/A)(%)	75.4	78.9	75.1	74.1	74.6	79.0	80.3	82.7	84.9
Income Tax	Total(A)	2,775,022	3,428,729	4,045,270	4,888,581	4,516,871	4,703,854	5,005,424	5,289,054	5,447,494
	Electronicfile(B)	2,252,413	2,746,022	3,266,119	3,909,161	3,767,046	4,108,422	4,396,816	4,807,370	4,989,533
	Ratio(B/A)(%)	81.2	80.1	80.7	80.0	83.4	87.3	87.8	90.9	91.6
Corporate Tax	Total(A)	336,208	354,836	381,565	401,819	421,145	440,088	465,262	492,632	522,898
	Electronicfile(B)	325,705	343,755	366,710	385,860	404,859	428,268	453,410	483,710	514,132
	Ratio(B/A)(%)	96.9	96.9	96.1	96.0	96.1	97.3	97.5	98.2	98.3
Total	Total(A)	26,952,656	27,900,156	30,403,167	33,360,238	34,466,472	35,633,434	37,295,776	36,844,028	35,214,379
	Electronicfile(B)	21,170,520	22,762,250	24,035,914	26,122,360	27,411,046	29,815,750	31,618,774	32,142,377	31,418,401
	Ratio(B/A)(%)	78.5	81.6	79.1	78.3	79.5	83.7	84.8	87.2	89.2

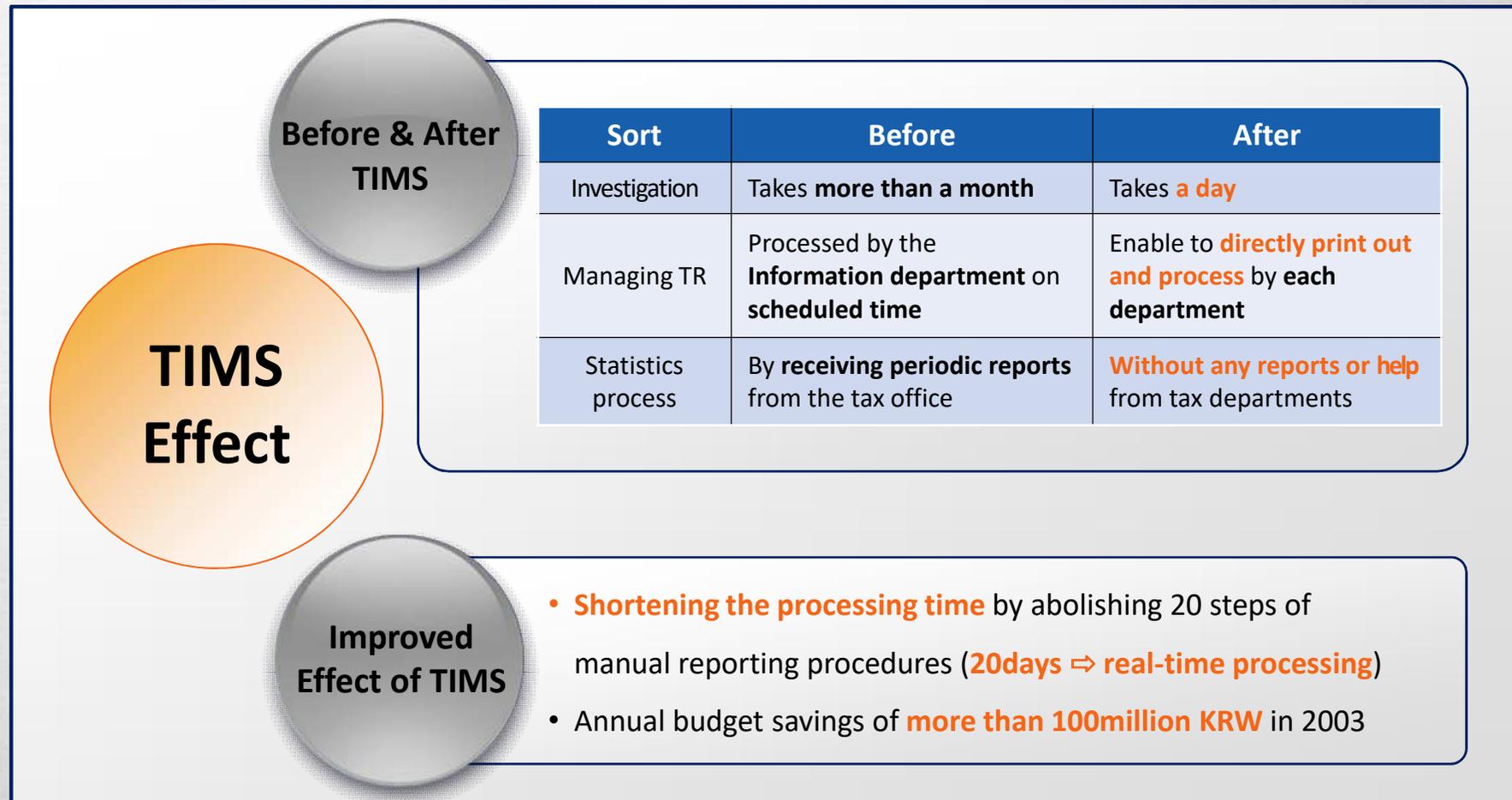
④ Tax Information Management System (2003)

Explanation and Purpose of Tax Information Management System (TIMS)



④ Tax Information Management System (2003)

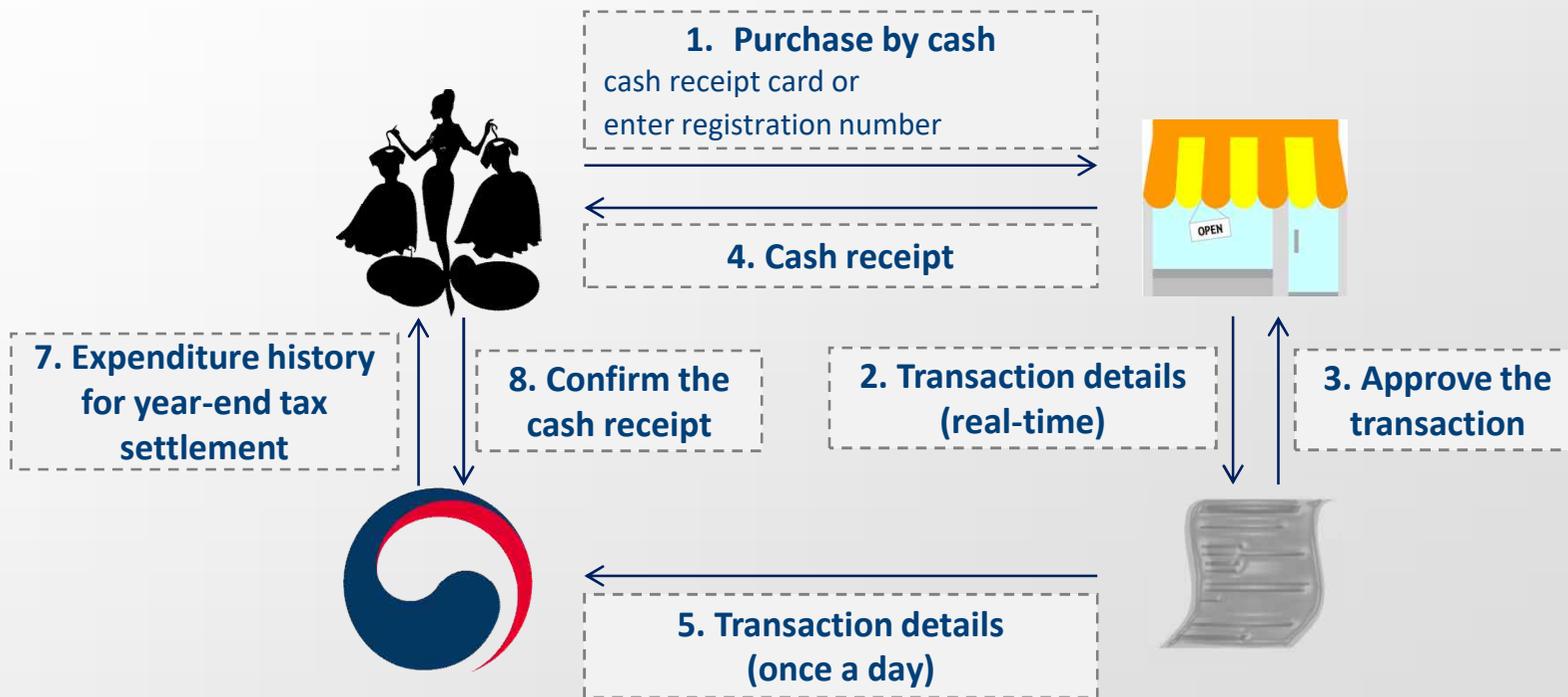
Effects of tax information management system (TIMS)



⑤ Cash Receipt System (2005)

Cash Receipt System

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



⑤ Cash Receipt System (2005)

Authentication means of the cash receipt system

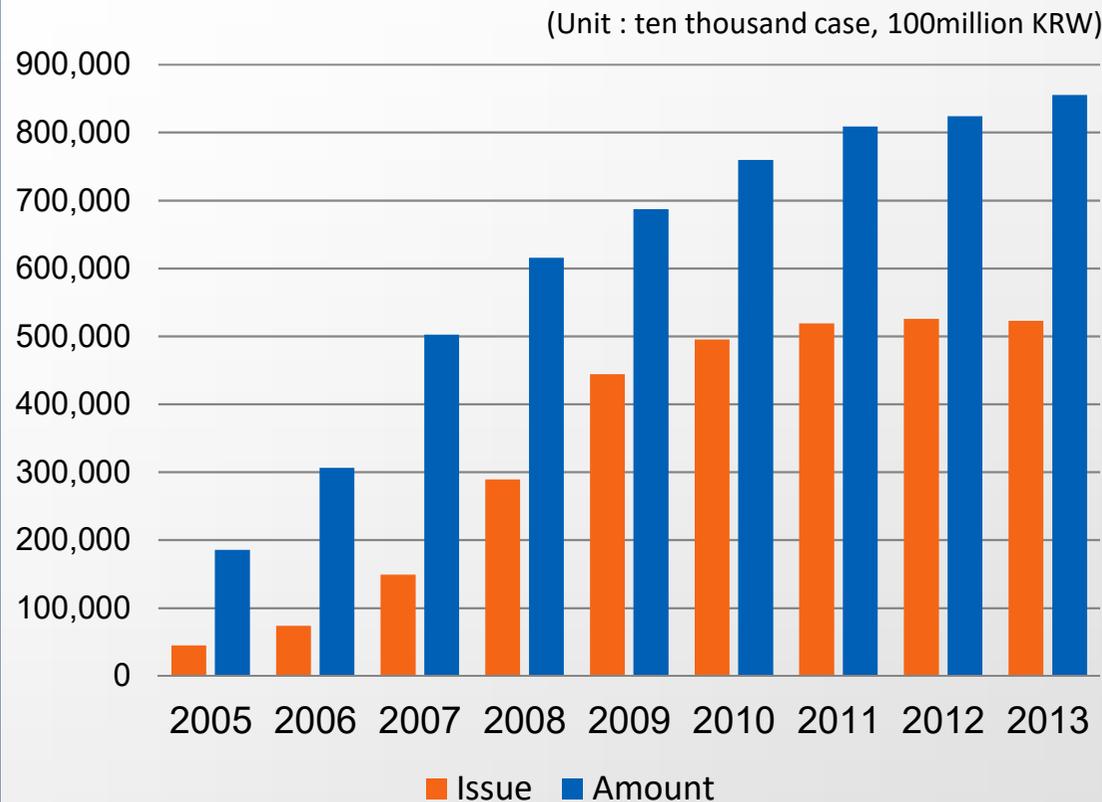
Means of authentication



- Can check the identity of the consumer **through the cash receipt card issued by the NTS for free**
- Also possible to check **through a resident registration number or a mobile phone number** of the consumer
- Can be registered as a cash receipt merchant **through existing credit card terminal or internet PC**

⑤ Cash Receipt System (2005)

Trends of Cash Receipt Issue and Amount



Broaden the tax base

- Since the Cash Receipt System introduced in 2005, there were **dramatic increases in the number of cash receipt issues and the amount of cash receipts issued**
- In 2013, the number of cash receipt issues reached 5.22 billion cases and the amount of cash receipt issues was **85.5trillion KRW (4times higher than 2005)**

⑥ Year-end Tax Settlement Simplifying Service (2006)

Explanation and Purpose of year-end tax settlement simplifying service

Explanation

- The service is to enable employees to **download and print out year-end tax settlement related materials**
- In the past, employees **had to undertake the process of contacting relevant authorities to issue annual payment data** and submit to the withholding agent

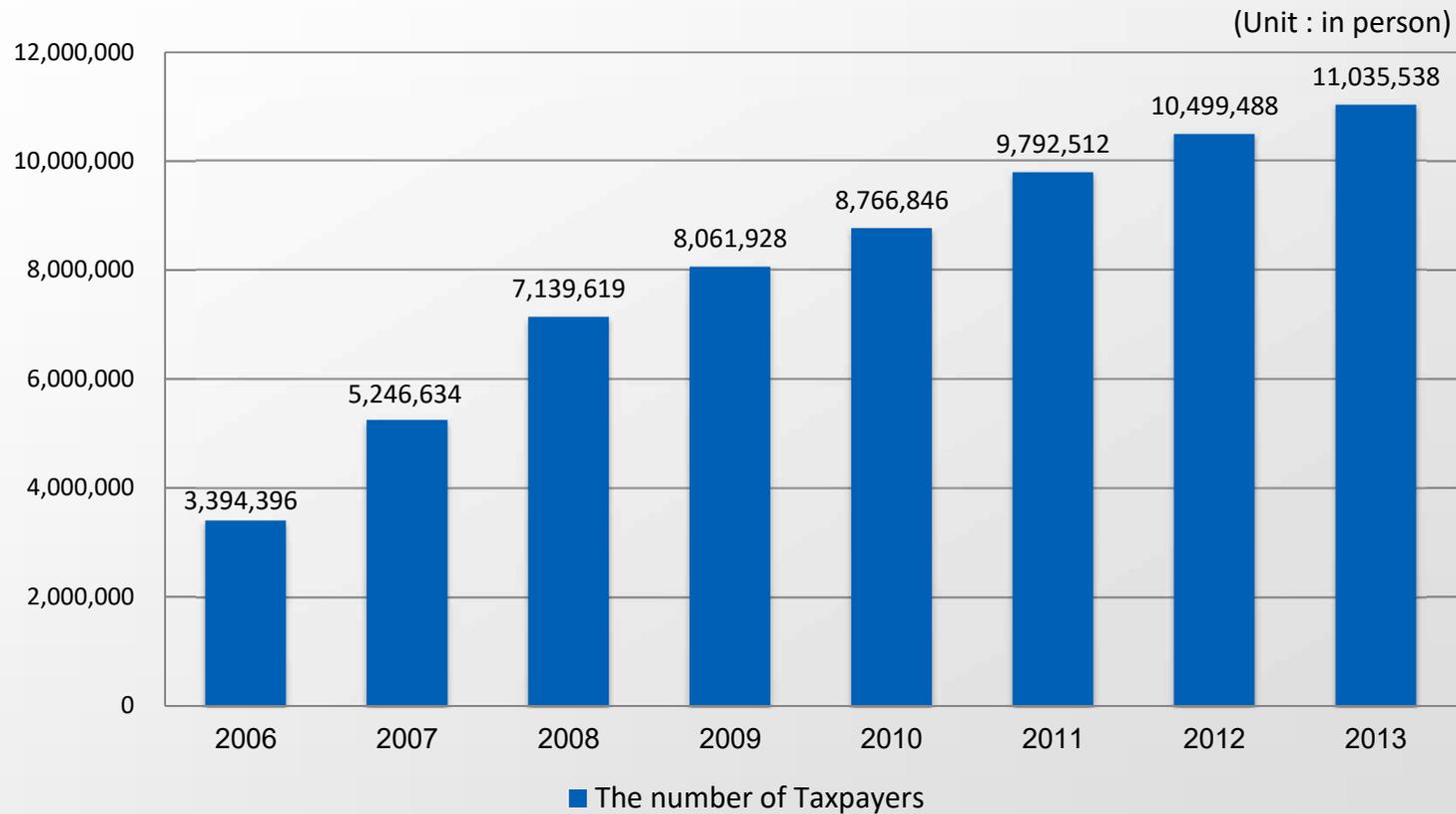
Year-end Tax Settlement Simplifying Service

Purpose

- The service facilitated to **reduce the time and costs** for both taxpayers and tax authorities, resulting in **reducing overall compliance costs**

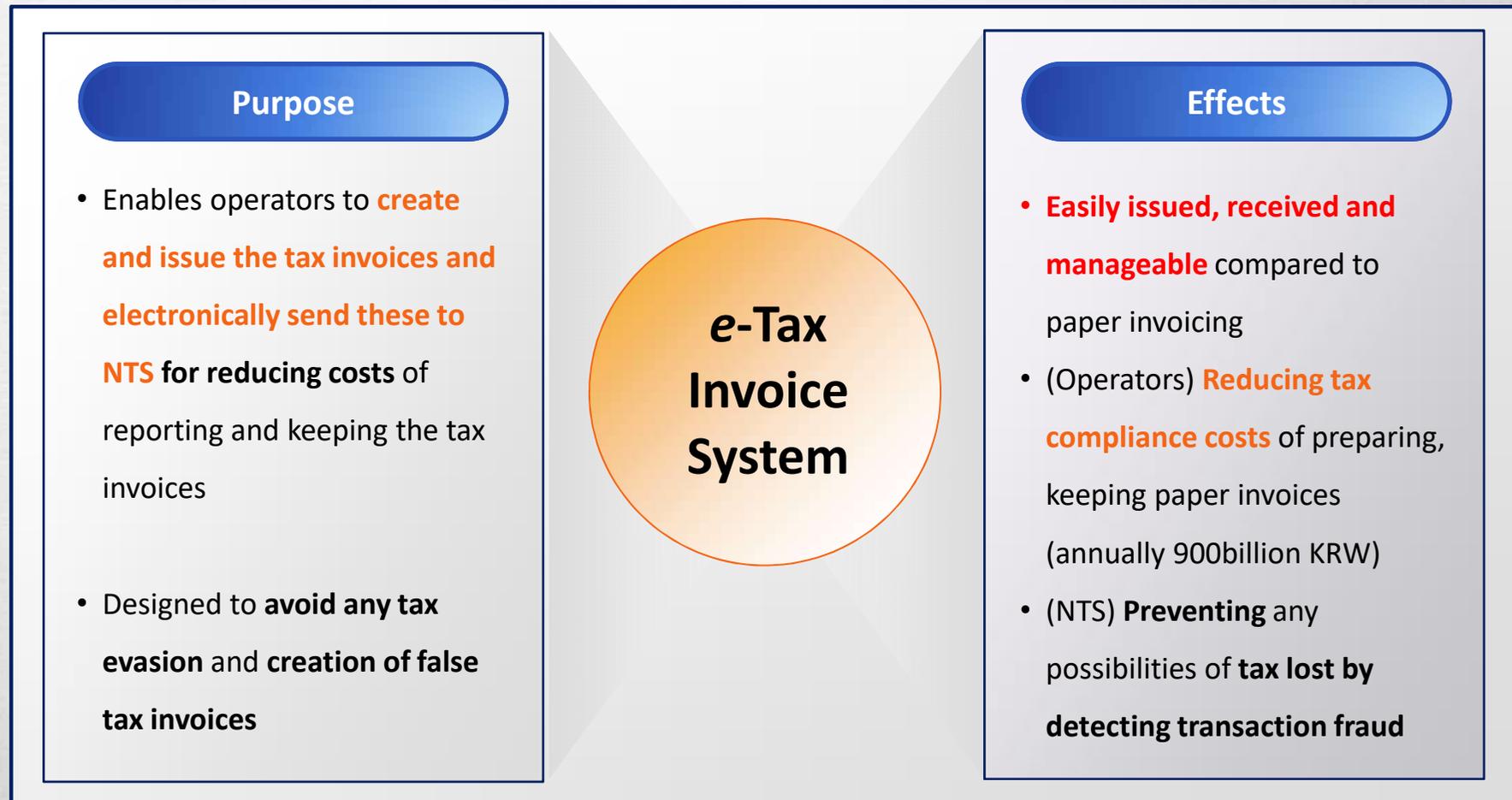
⑥ Year-end Tax Settlement Simplifying Service (2006)

The Number of Taxpayers Utilizing the System



⑦ e-Tax Invoice System (2010)

Purpose and effects of e-Tax invoice system



⑦ e-Tax Invoice System (2010)

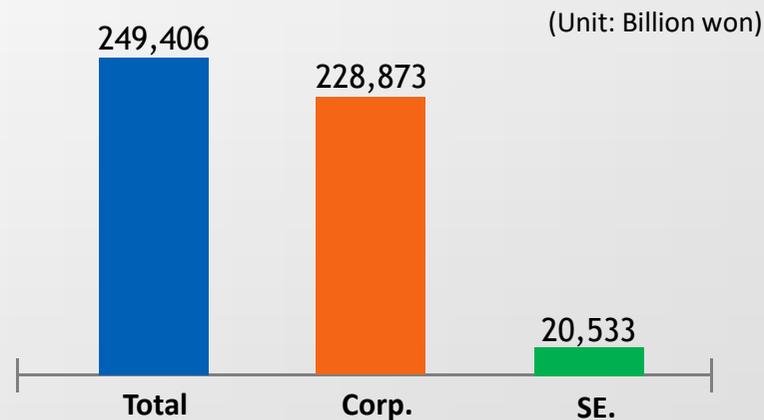
Achievement of e-Tax invoice system

e-Tax Invoice System

The amount of the e-Tax Invoice was about **249.4 trillion won in 2015, 2.7 times** more than in 2014

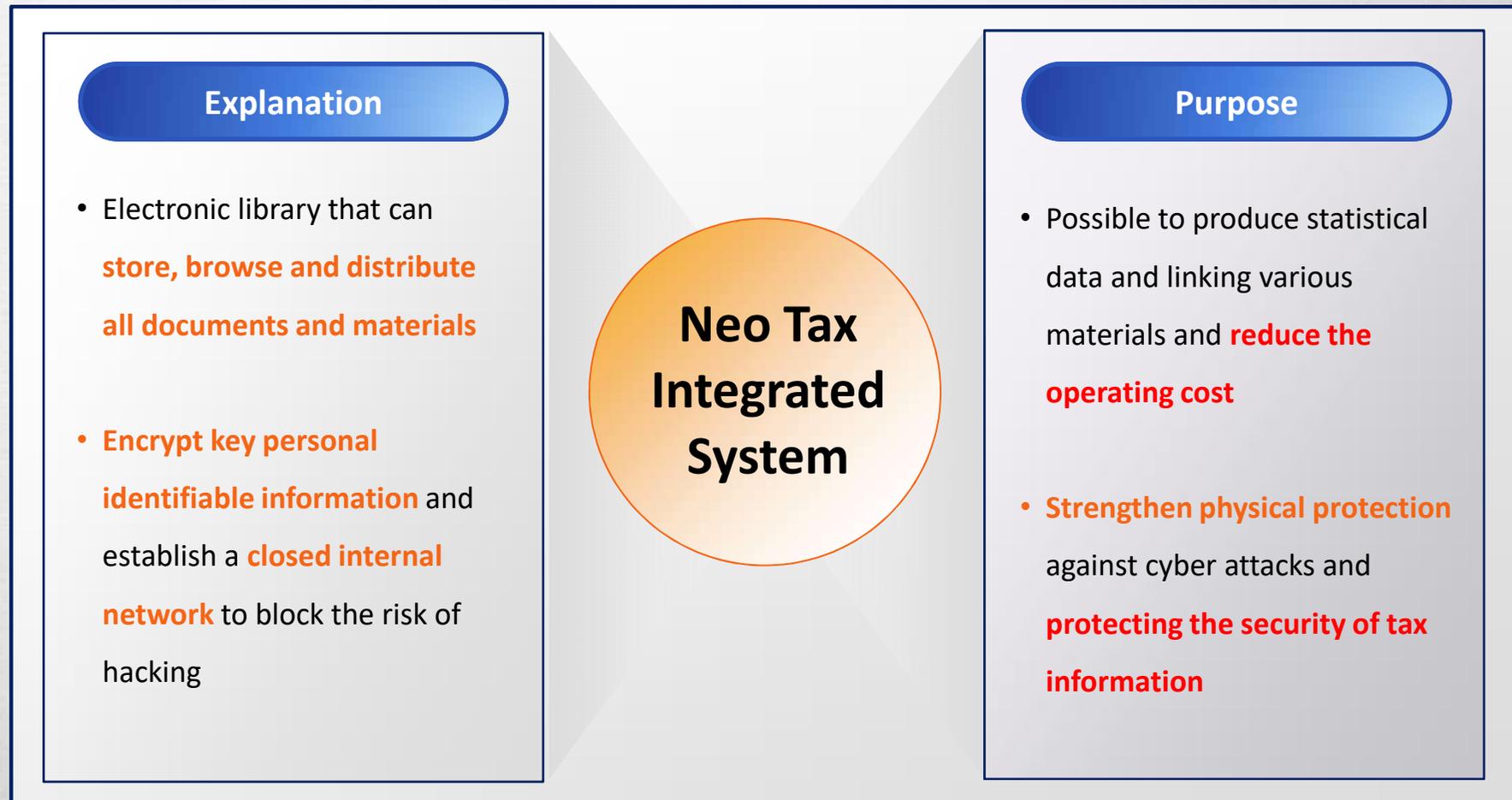
- Corporations issued **228.9 trillion won, 91.8%** of the total amount
- Self-employed business men issued **20.5 trillion won**

Amounts of the e-Tax Invoice in 2015



⑧ Neo Tax Integrated System (2015)

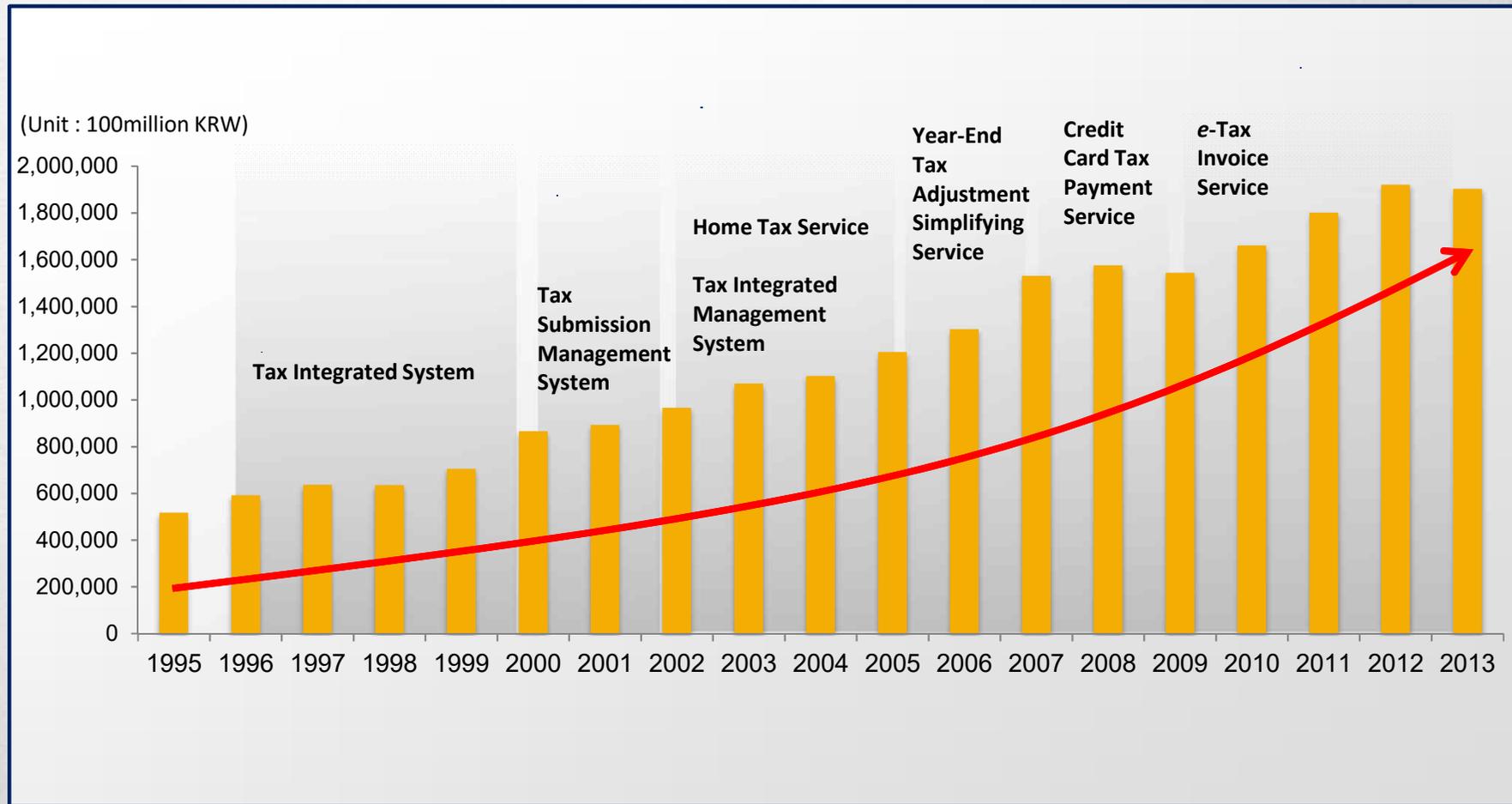
Explanation and Purpose of Neo Tax Integrated System (NTIS)



The Achievements in Korea

The Achievements in Korea

Developments of Tax Revenue in Korea (1995~2013)



The Achievements in Korea

Proportion of Credit Card and Cash Receipts in Total Consumption Expenditure on Private Sector

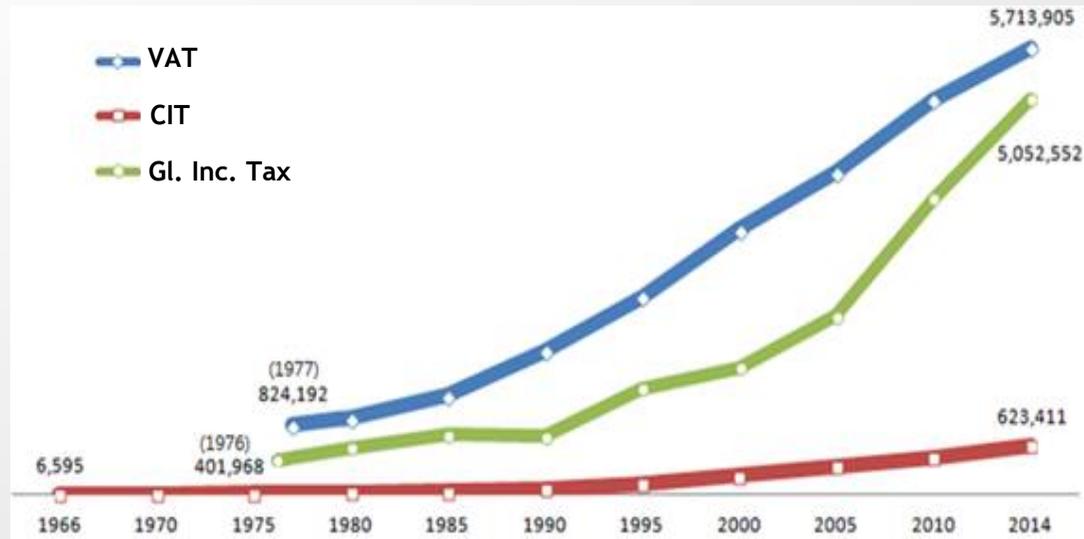
Year	Total Consumption Expenditure on Private Sector(A)	Credit Card(B)		Cash Receipt(C)		Total	
		Amount	Ratio(B/A)	Amount	Ratio(C/A)	Amount	Ratio
2000	3,303.8	404.8	12.3	-	-	404.8	12.3
2001	3,642.5	643.7	17.7	-	-	643.7	17.7
2002	4,087.1	1,518.8	37.2	-	-	1,518.8	37.2
2003	4,200.9	1,417.1	33.7	-	-	1,417.1	33.7
2004	4,350.6	1,425.8	32.8	-	-	1,425.8	32.8
2005	4,654.3	1,586.5	34.1	186	4.0	1,772.5	38.0
2006	4,949.1	1,758.5	35.5	306	6.2	2,064.5	41.7
2007	5,302.6	2,008.3	37.9	503	9.5	2,511.3	47.4
2008	5,616.2	2,300.8	41.0	616	11.0	2,916.8	52.0
2009	5,759.7	2,524.0	43.8	687	11.9	3,211.0	55.7
2010	6,169.8	2,880.6	46.7	760	12.3	3,640.6	59.0
2011	6,553.8	3,227.5	49.3	809	12.3	4,036.5	61.6
2012	6,807.5	3,596.7	52.8	824	12.1	4,420.7	64.9

- Broaden the tax base
- Absorbing cash transactions into taxation

The Achievements in Korea

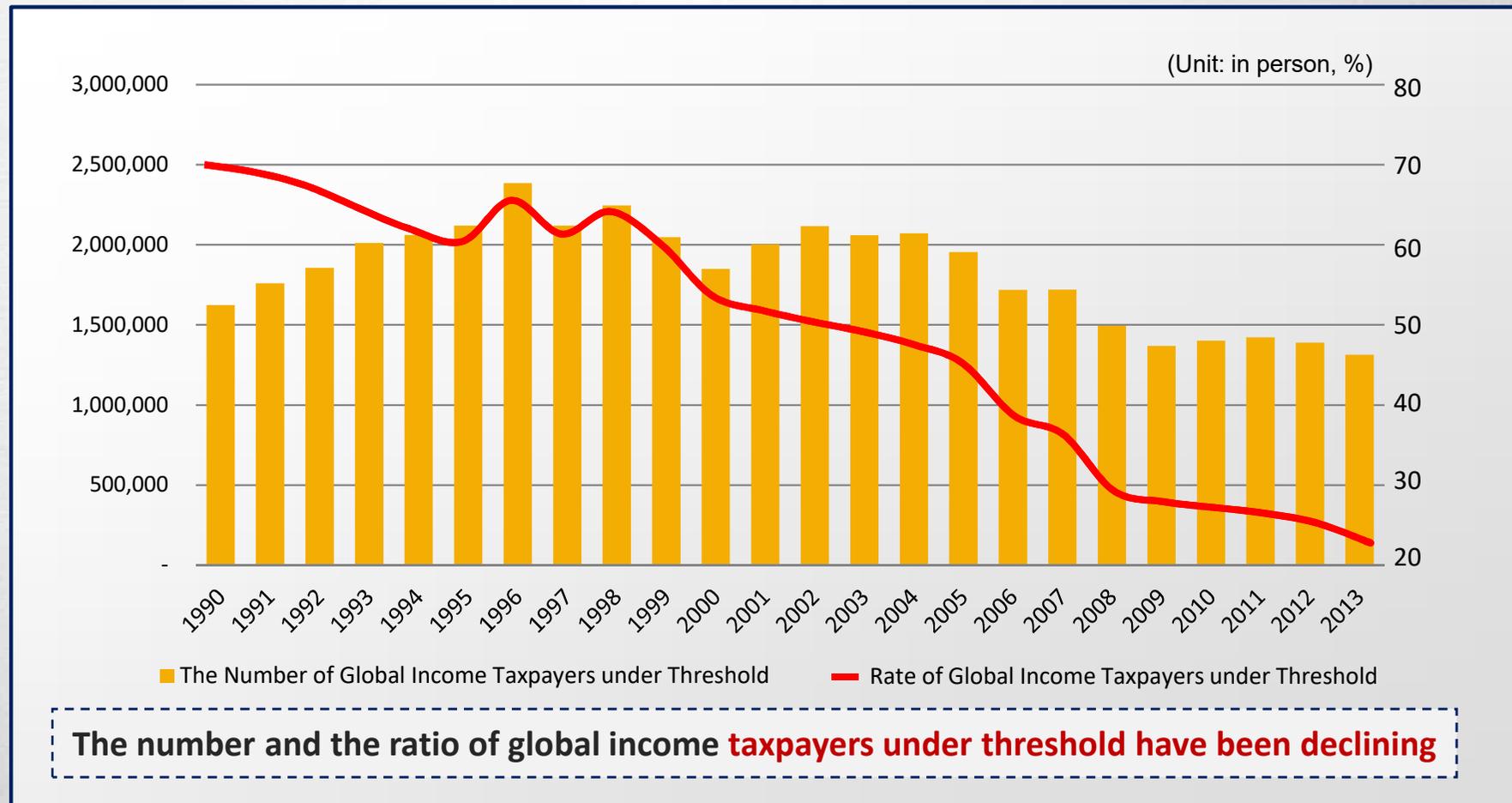
Number of taxpayers by tax

- Number of taxpayers of VAT increased **from 824,000 to 5,714,000**
- For CIT, the number increased **from 6,600 to 623,400**
- For PIT, the number increased **from 402,000 to 5,052,500**



The Achievements in Korea

Trends of global income taxpayers under threshold



The Achievements in Korea

Reduction in compliance cost for e-Tax invoice system

(Unit: billion KRW)

Estimation of Reduction in Compliance Cost in 2011					
Total	Issue	Collection	Storage	Sum Table	Dispatch
978.2	311.8	413.2	92.5	93.8	66.9

Estimation of Reduction in Compliance Cost for individual business in 2014					
Total	Issue	Collection	Storage	Sum Table	Dispatch
72.8	24.9	25.5	5.3	2.3	14.7

As business operators use **e-Tax Invoice System** to fulfill the duty of issuing tax invoices, **compliance cost** has been **decreased 978.2billion KRW for both corporate and individual business**, and **72.8billion KRW only for individual business**