



# ***e*-Tax Administration in Korea & Its Achievements**

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# About Greece



## Greece

- **Capital** : Athens
- **Population** : 10.78 million (1/5 of Korea)
- **Currency** : Euro
- **Area** : 131,957km<sup>2</sup> (1.4 times of Korea)
- **Philosopher** : Aristoteles, Socrates, Plato
- The **cradle of ancient Olympic**, Athens
- **17 UNESCO World Heritage Sites**
- Euro 2004 Champion

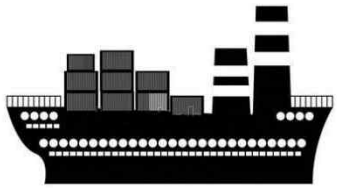
# Relations between Korea and Greece

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, 1<sup>st</sup> Athens

2004, 28<sup>th</sup> Athens – Korea 9<sup>th</sup>, Greece 15<sup>th</sup>

#### Korea

1988, 24<sup>th</sup> Seoul – Korea 4<sup>th</sup>, Greece 46<sup>th</sup>

### Geological Characteristics

Same as **38 degrees north latitude**

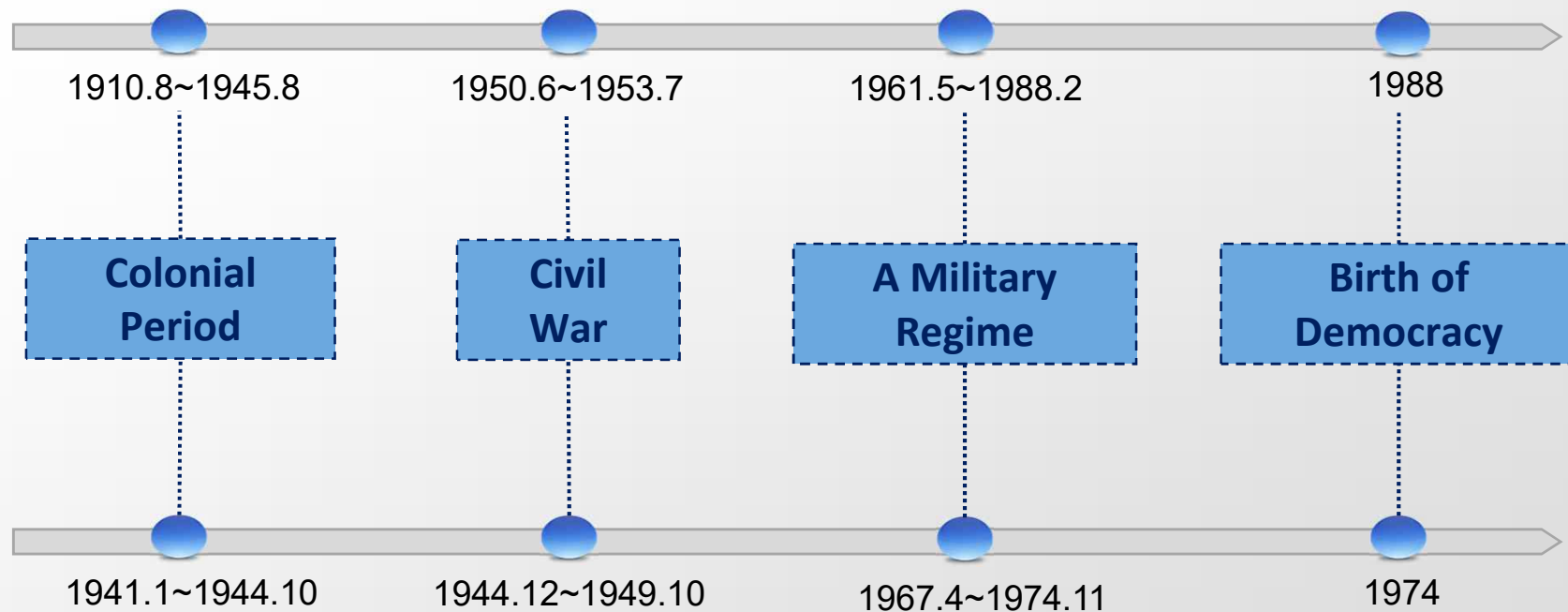
Same as **peninsula**



# Common denominators of Korea and Greece

## Historical background

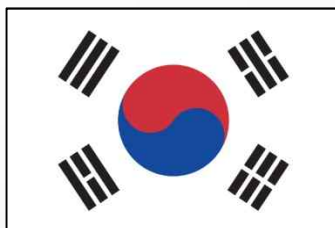
### Korea



### Greece

# 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, 109<sup>th</sup>)
- \$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

**5 year Economic  
Development Plans**

**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

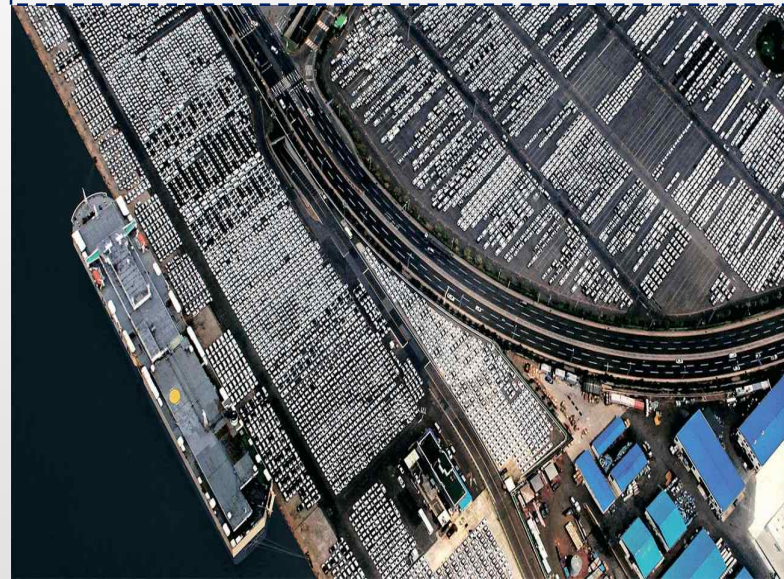
## The 6th Five-Year Plan(87~91)

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



## 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**

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

## 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**



# 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

**\$1000000000000000** \$ 1.08 tr (2012)

**Main Export**



**Quantum Leap in Trading**

Unit: USD, ( ) represents ranking





# Economic Development of Korea

5 year Economic  
Development Plans

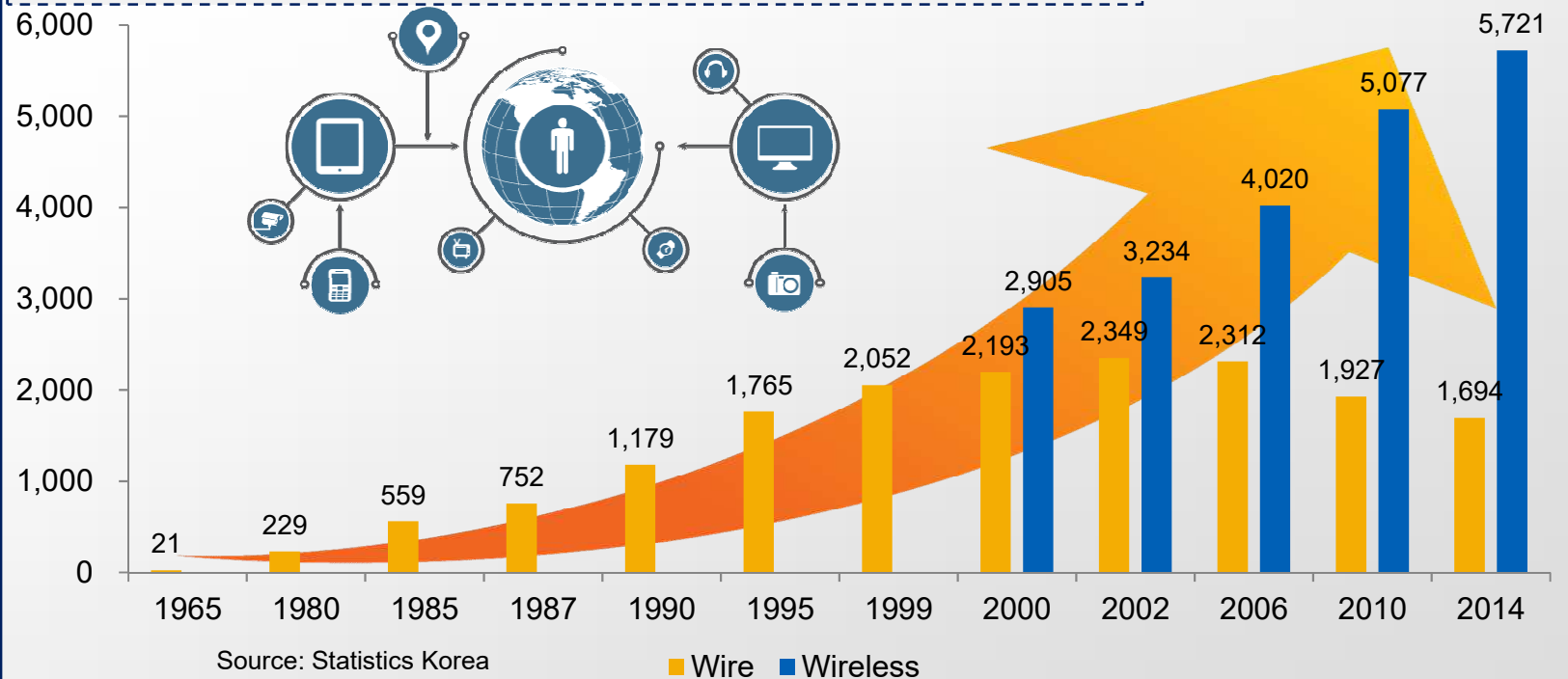
IMF  
bailout

Now

Now

## High Growth of Number of Wire/Wireless Communication User

(Unit: 10,000 lines for Wire)  
(Unit: 10,000 persons for Wireless)



# Economic Development of Korea

5 year Economic  
Development Plans

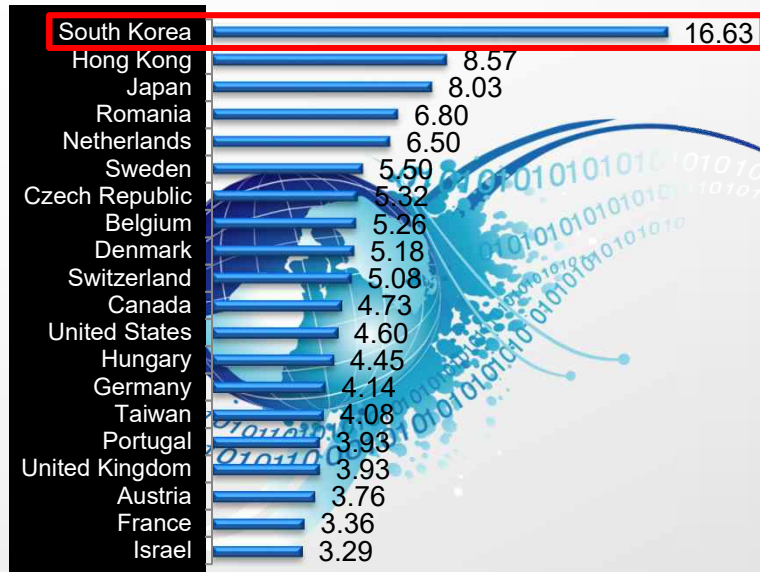
IMF  
bailout

Now

Now

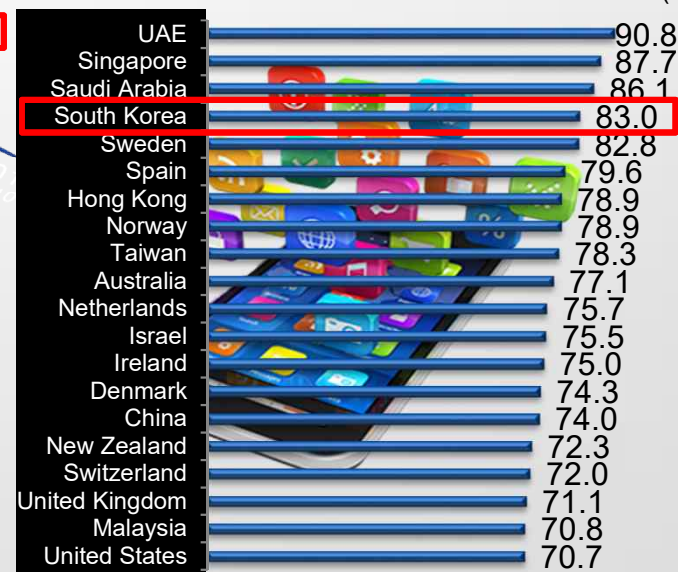
## Fast Connection Speeds and High Rate of Smartphone Distribution

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  
Development Plans

IMF  
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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

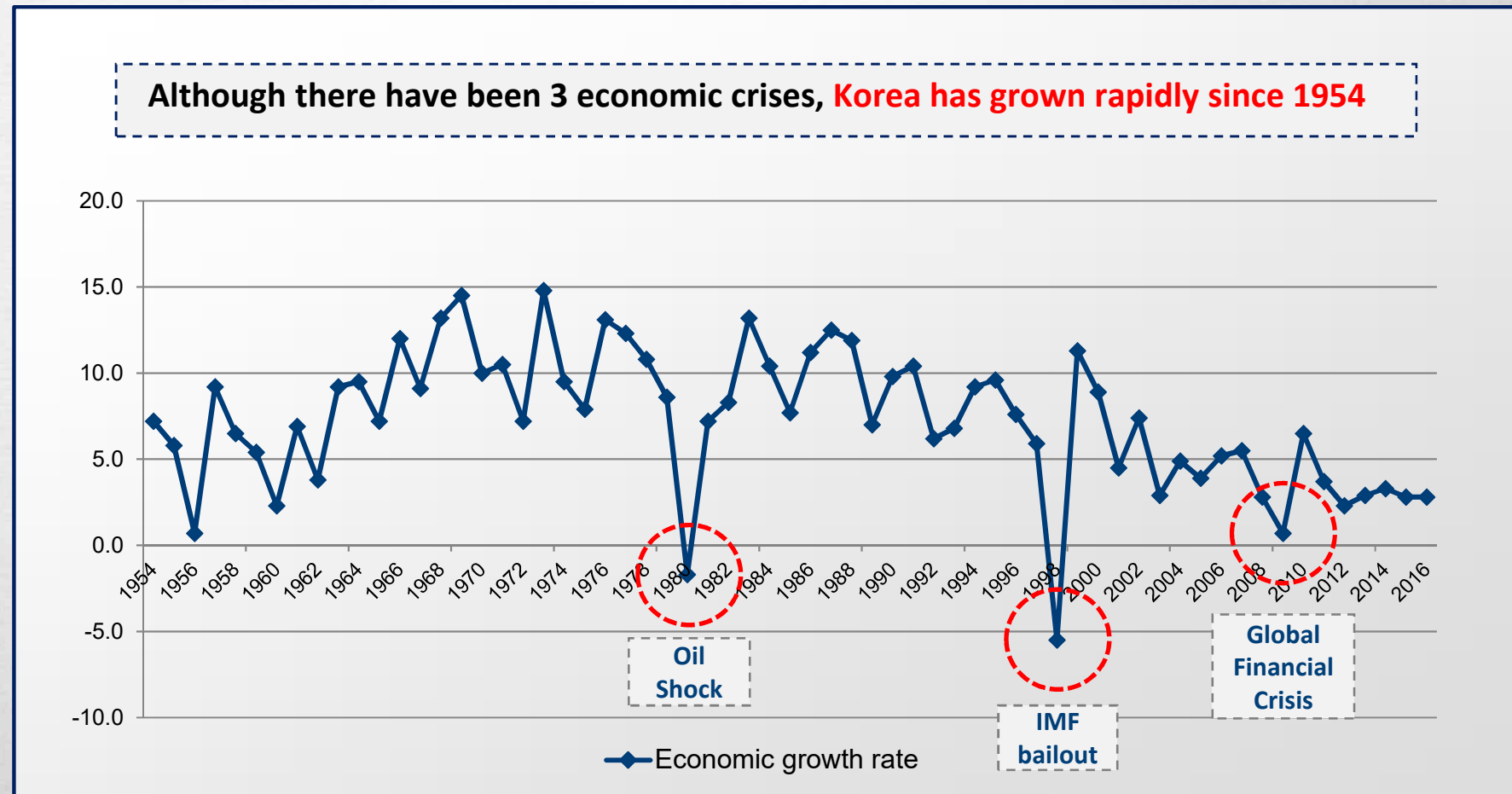
- Korean airlines' flight attendant training centers are the global charm schools of the aviation world

### 9. Blind dates

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

# Economic Development of Korea

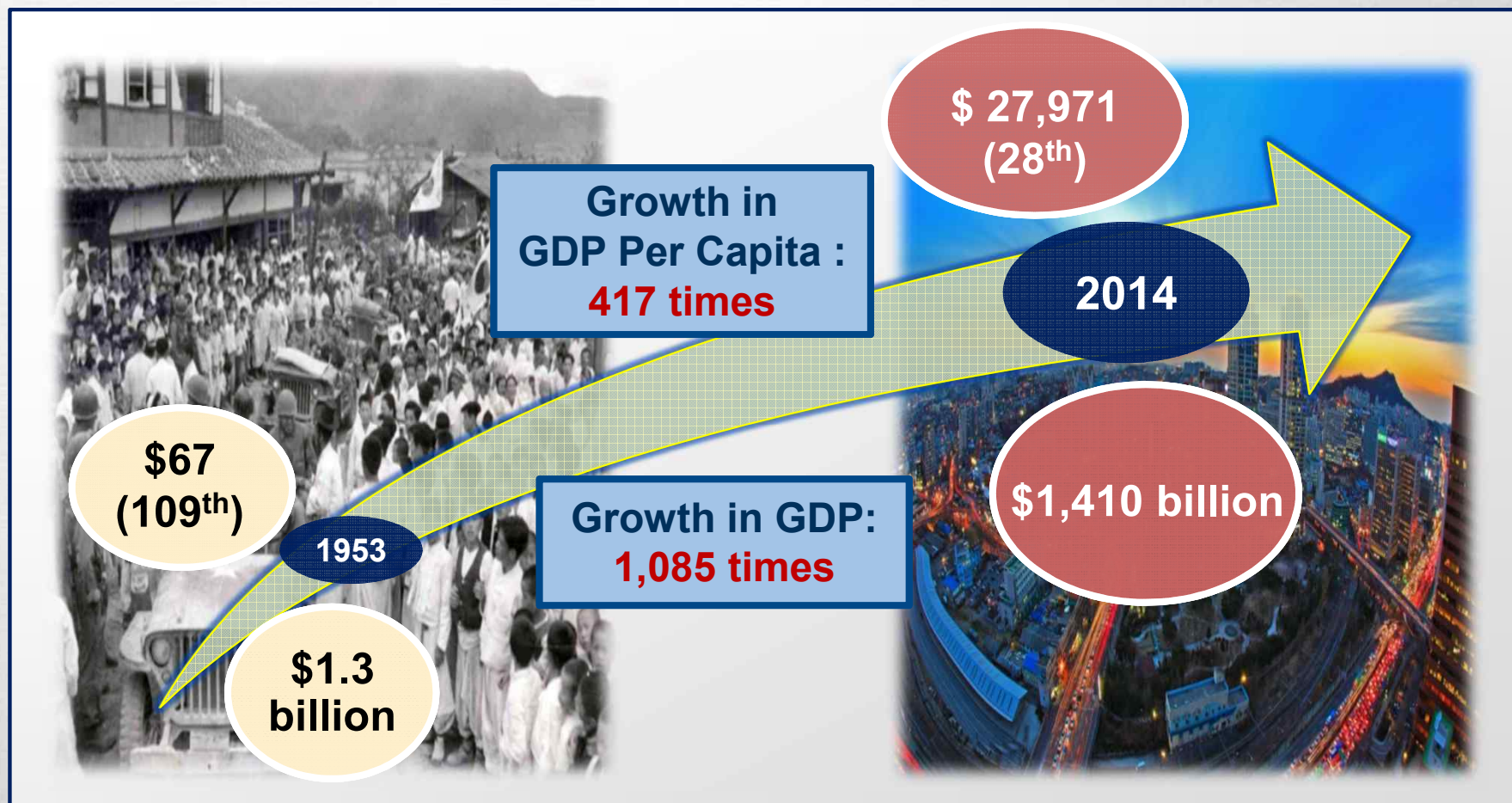
## Korea's economic growth rate from 1953 to 2016





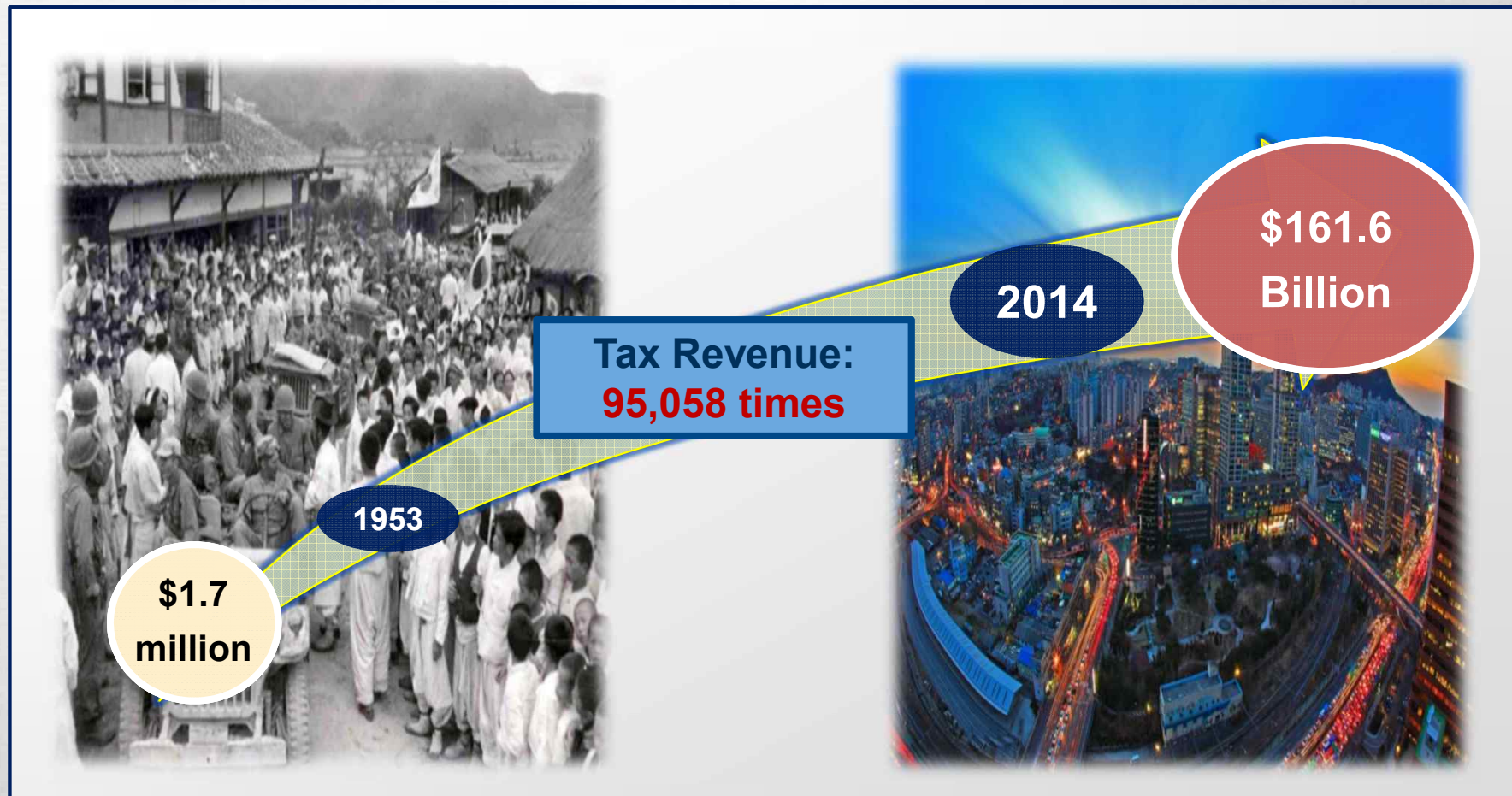
# Growth of GDP per capita and GDP

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

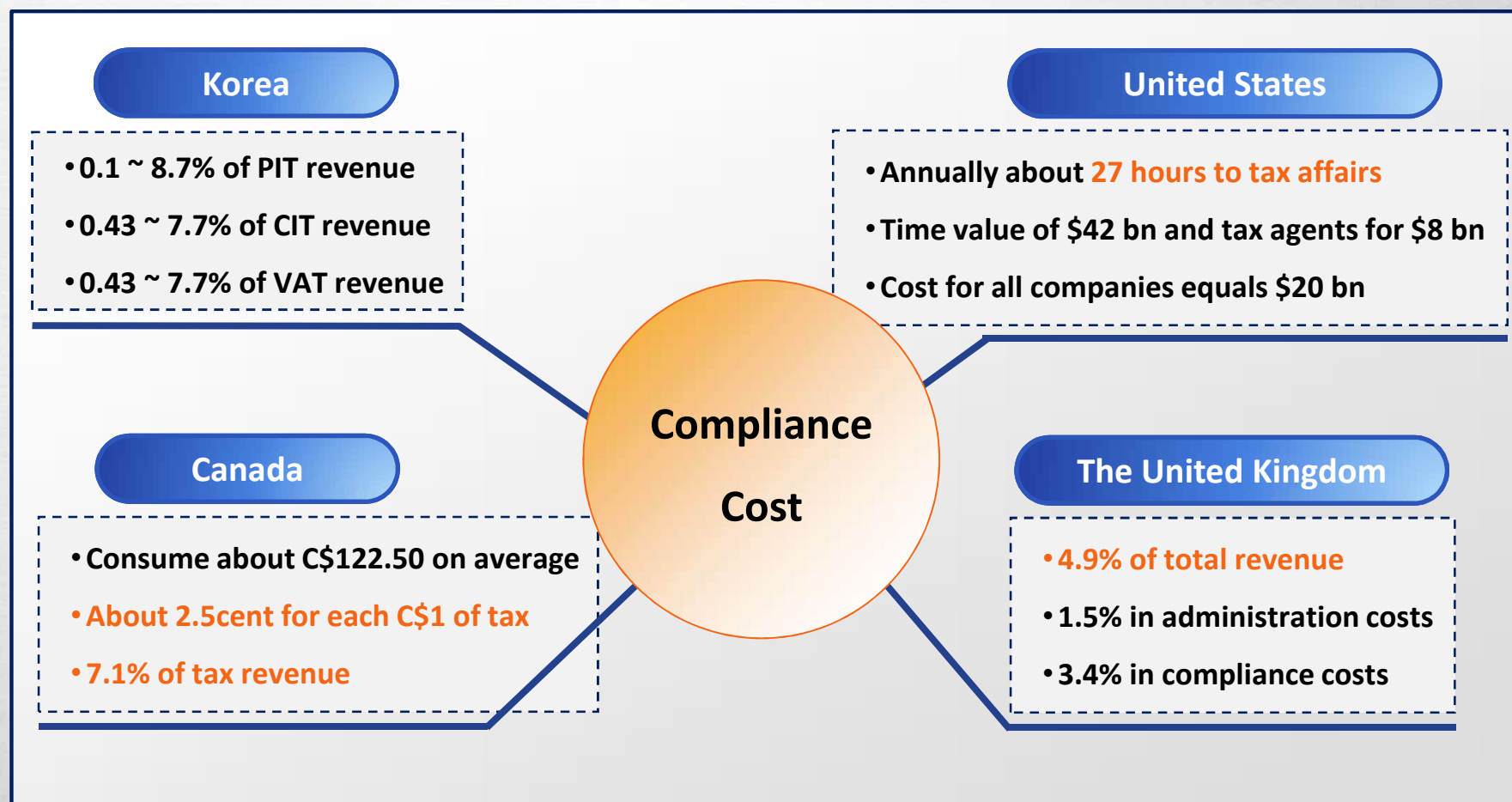
The social cost of tax complexity is the sum of administrative cost and compliance cost





# Compliance Cost

## Examples of compliance cost



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

# e-Tax Administration

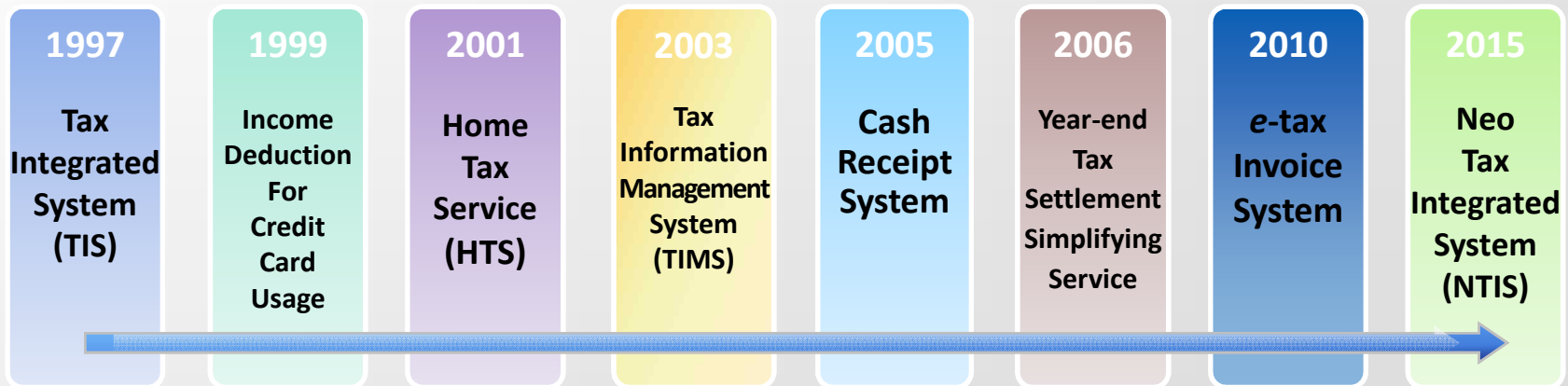
## Background

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

## e-Tax Administration

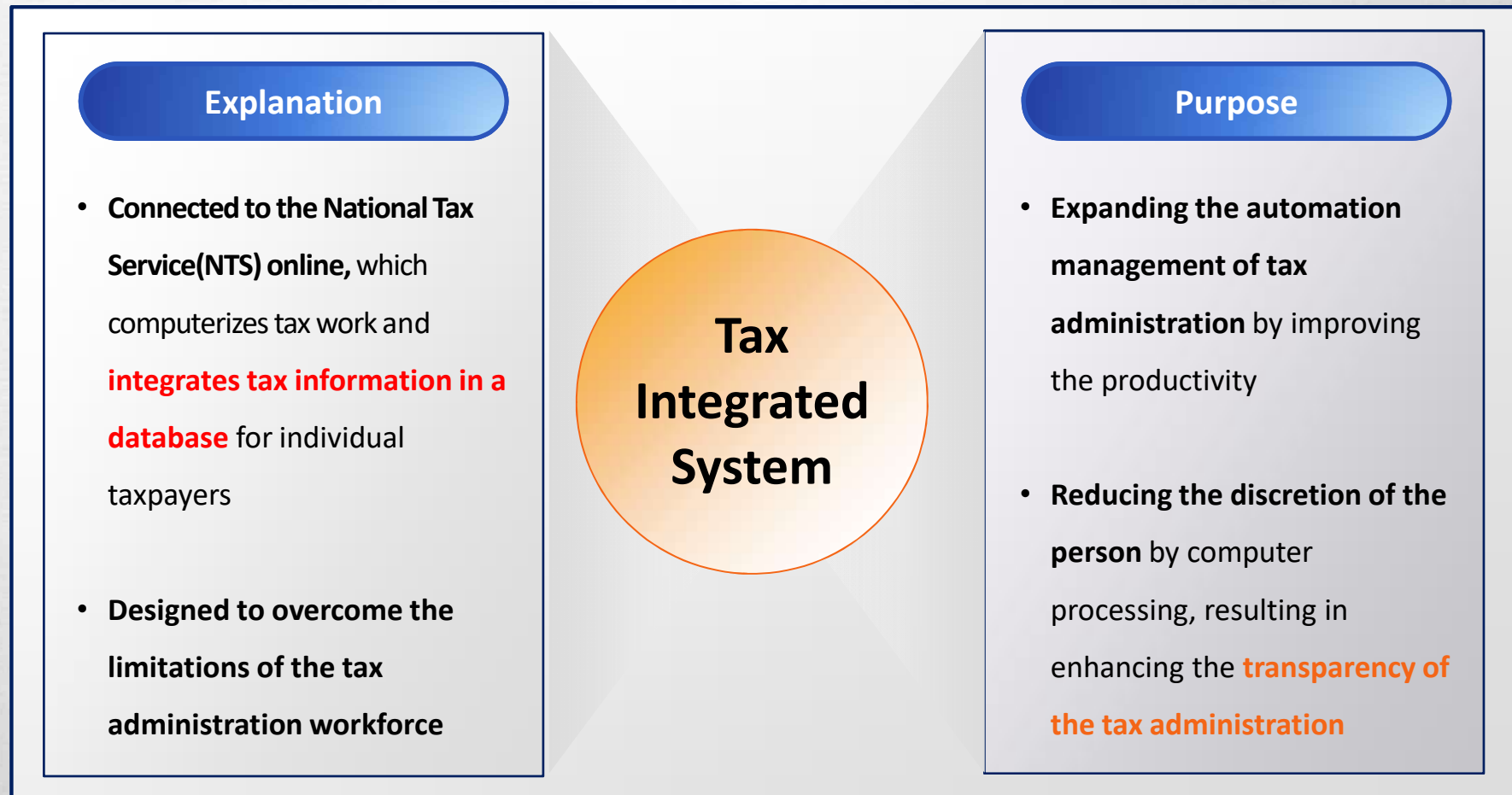
The need for strict processes of identifying and managing information to **increase tax revenue**

## Process



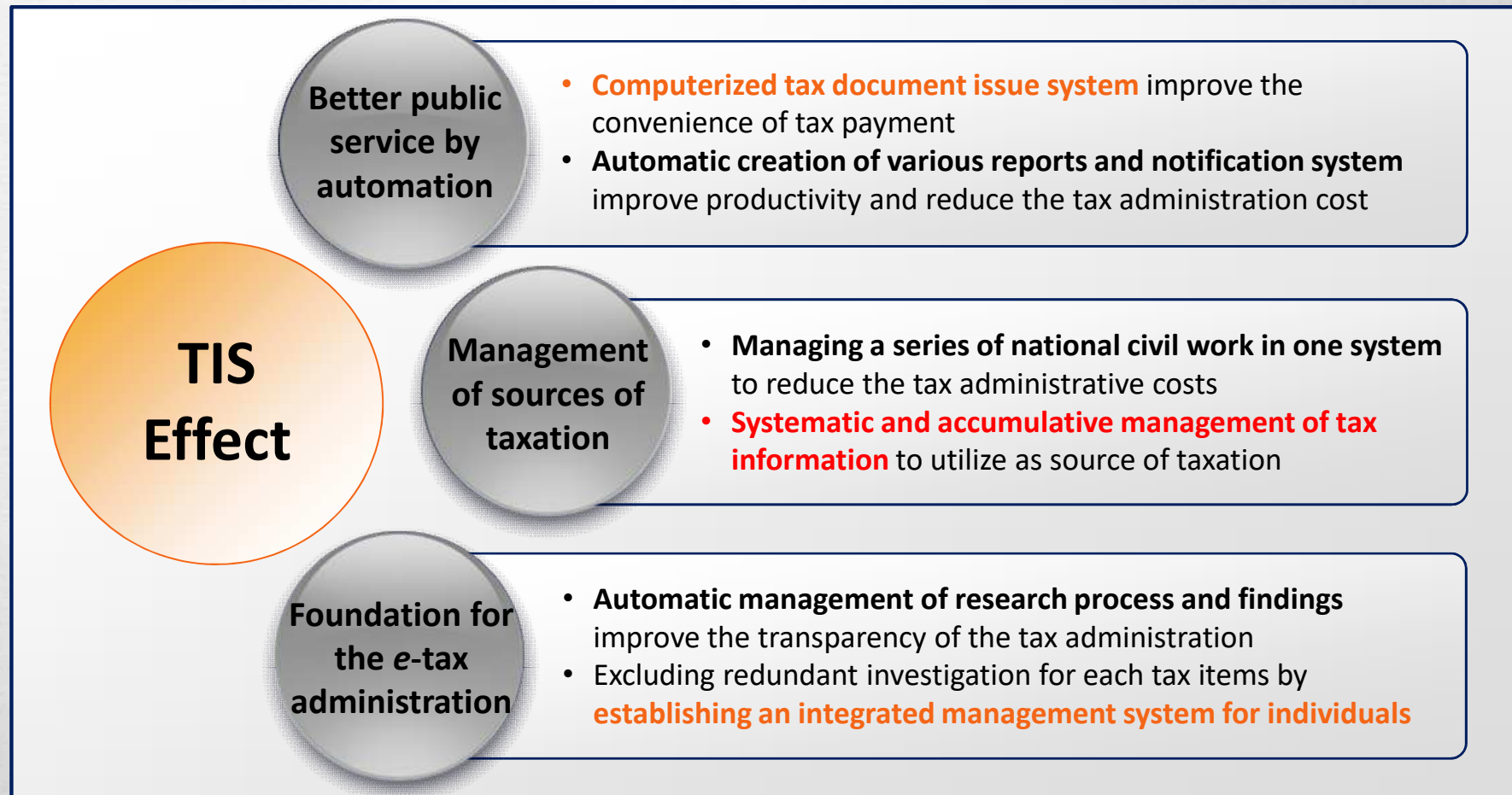
# ① Tax Integrated System (1997)

## Explanation and Purpose of Tax Integrated System (TIS)



# ① Tax Integrated System (1997)

## Effects of Tax Integrated System (TIS)



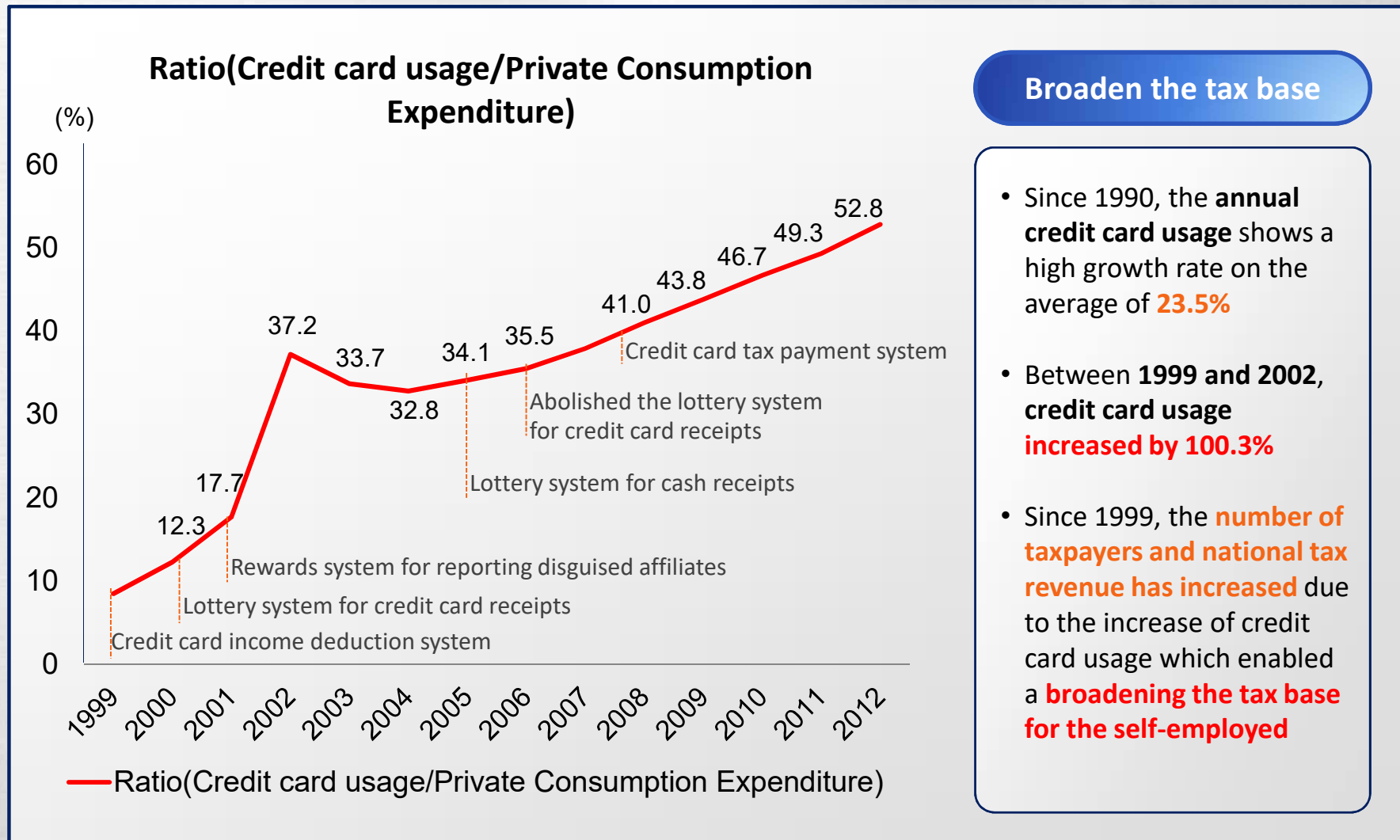


## ② Income Deduction for Credit Card Usage (1999)

### Tax Incentive Policies to Vitalize Credit Card Usage

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

## 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

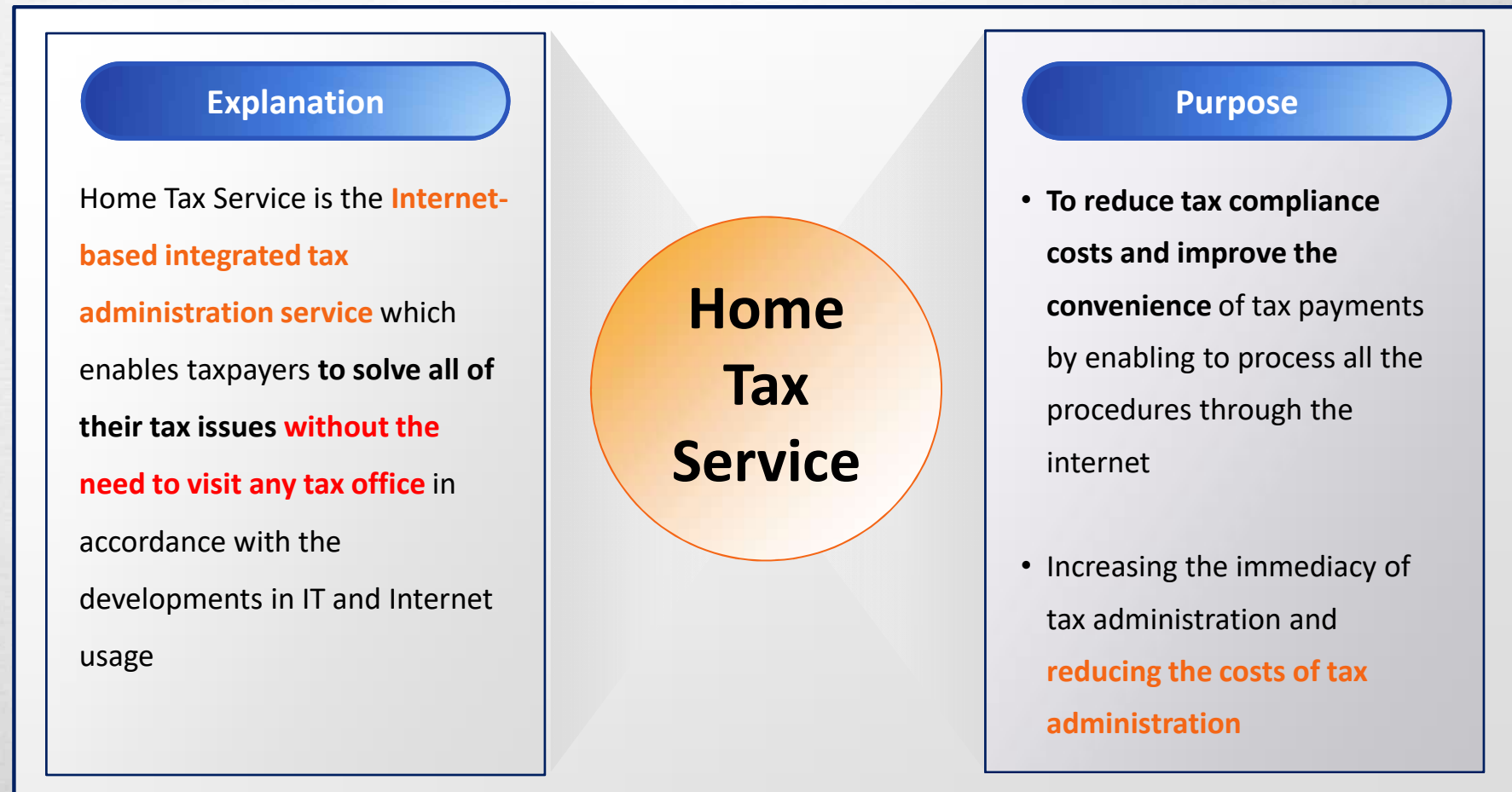
### Income Deduction for Credit Card Usage

#### 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%

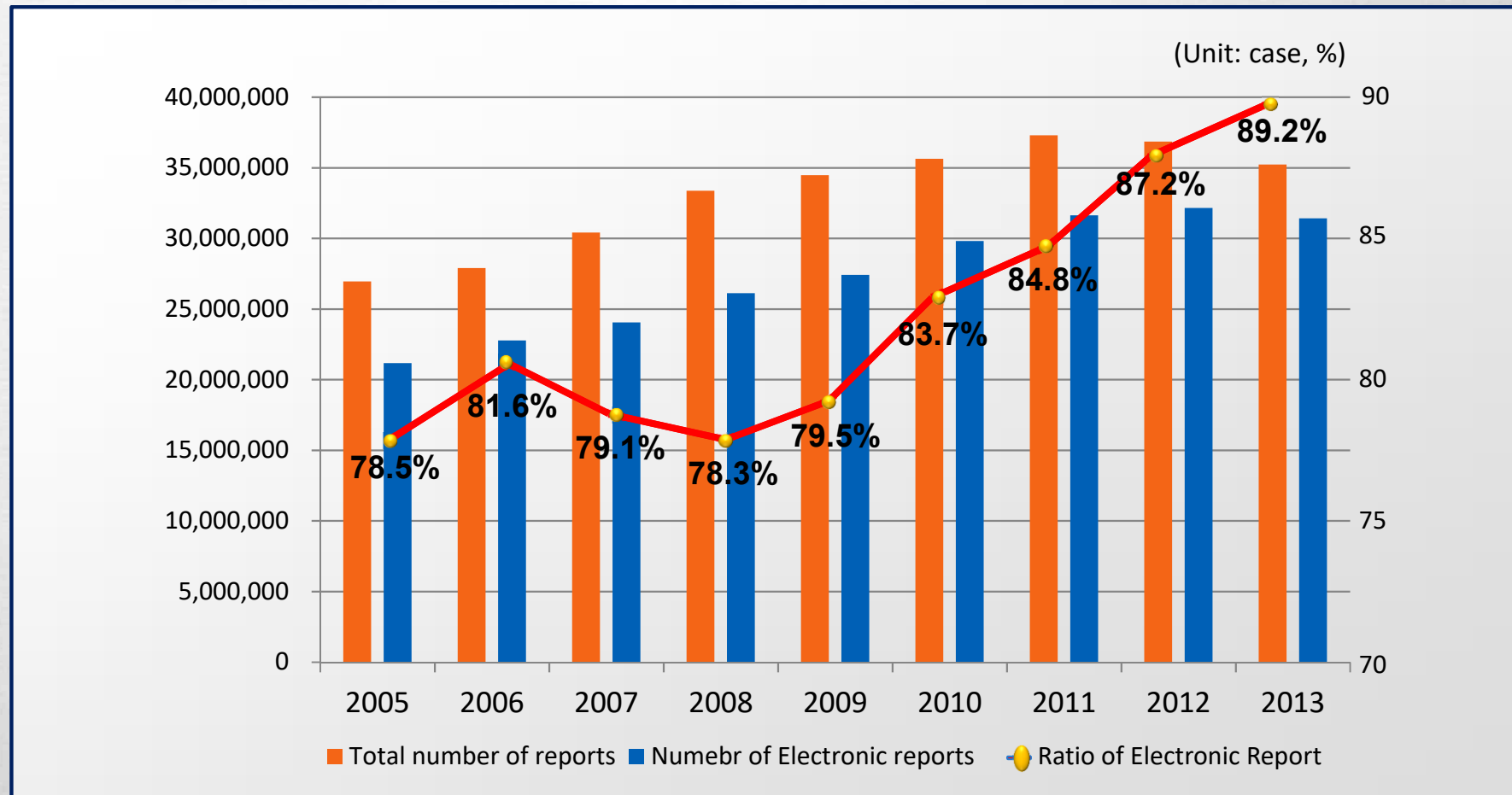
### ③ Home Tax Service (2001)

#### Explanation and Purpose of Home Tax Service



### ③ Home Tax Service (2001)

#### Trends of Tax Filed Electronically



### ③ Home Tax Service (2001)

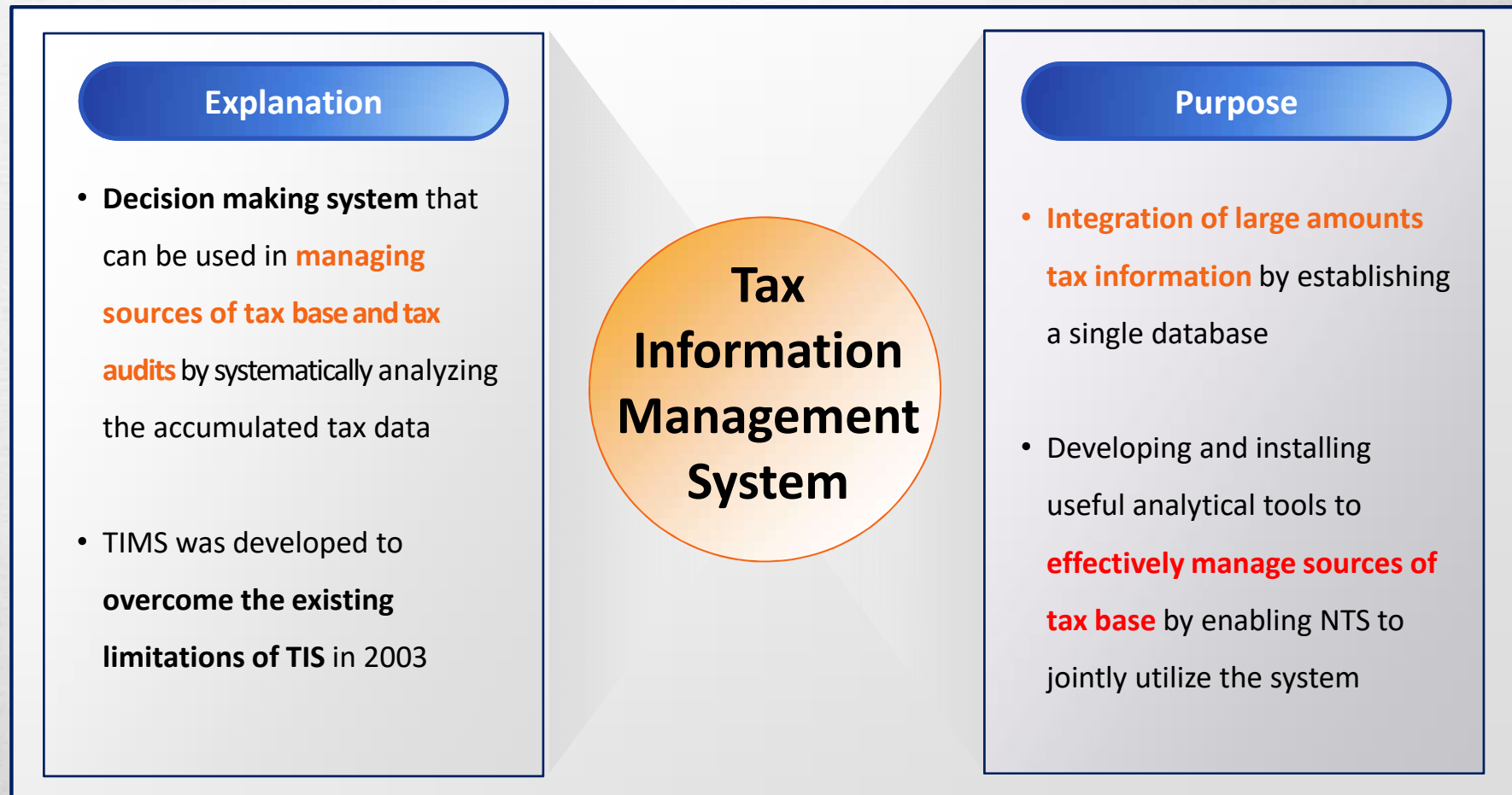
#### Ratio of Electronic Tax Filing

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



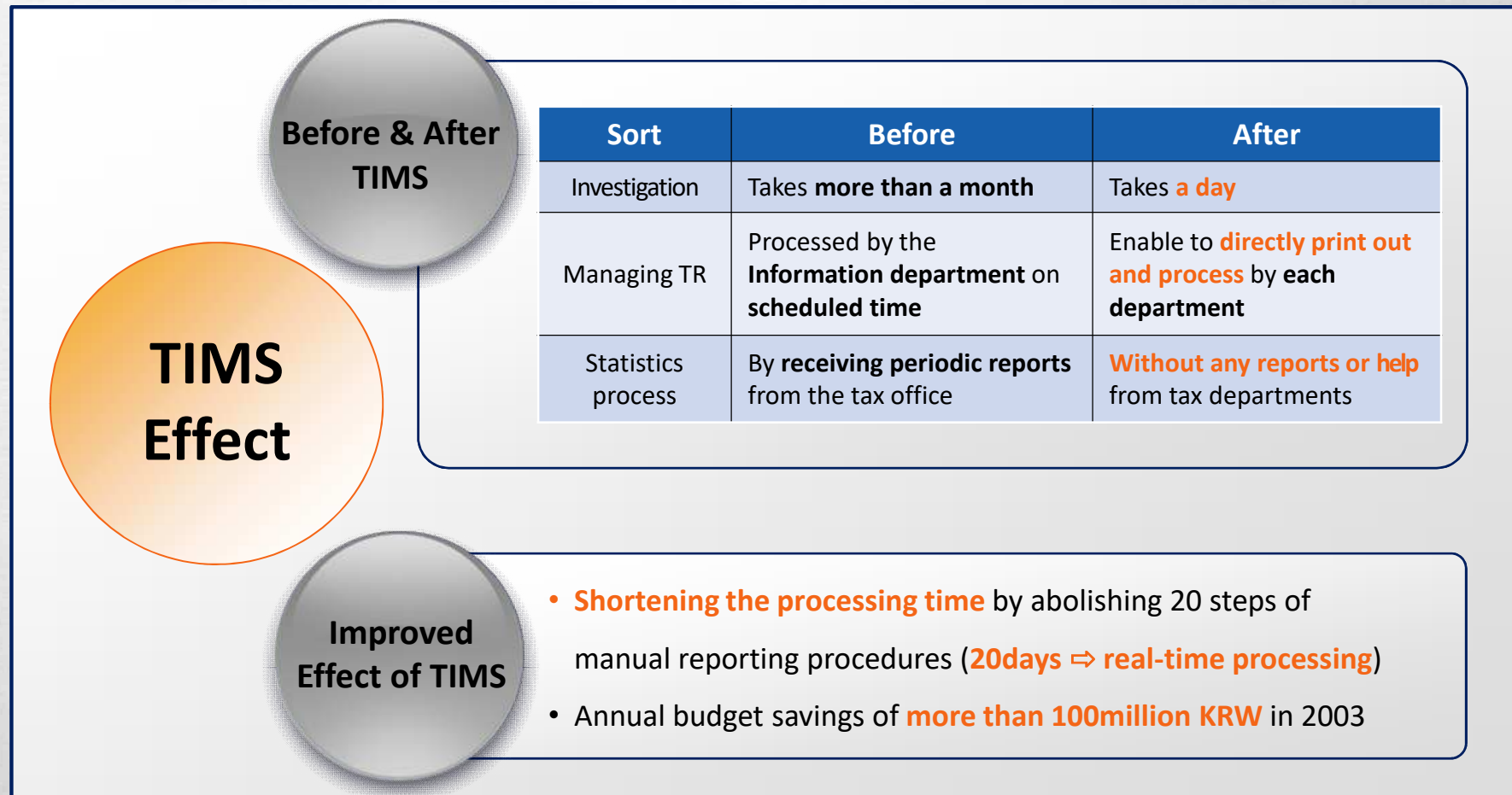
## ④ Tax Information Management System (2003)

### Explanation and Purpose of Tax Information Management System (TIMS)



## ④ Tax Information Management System (2003)

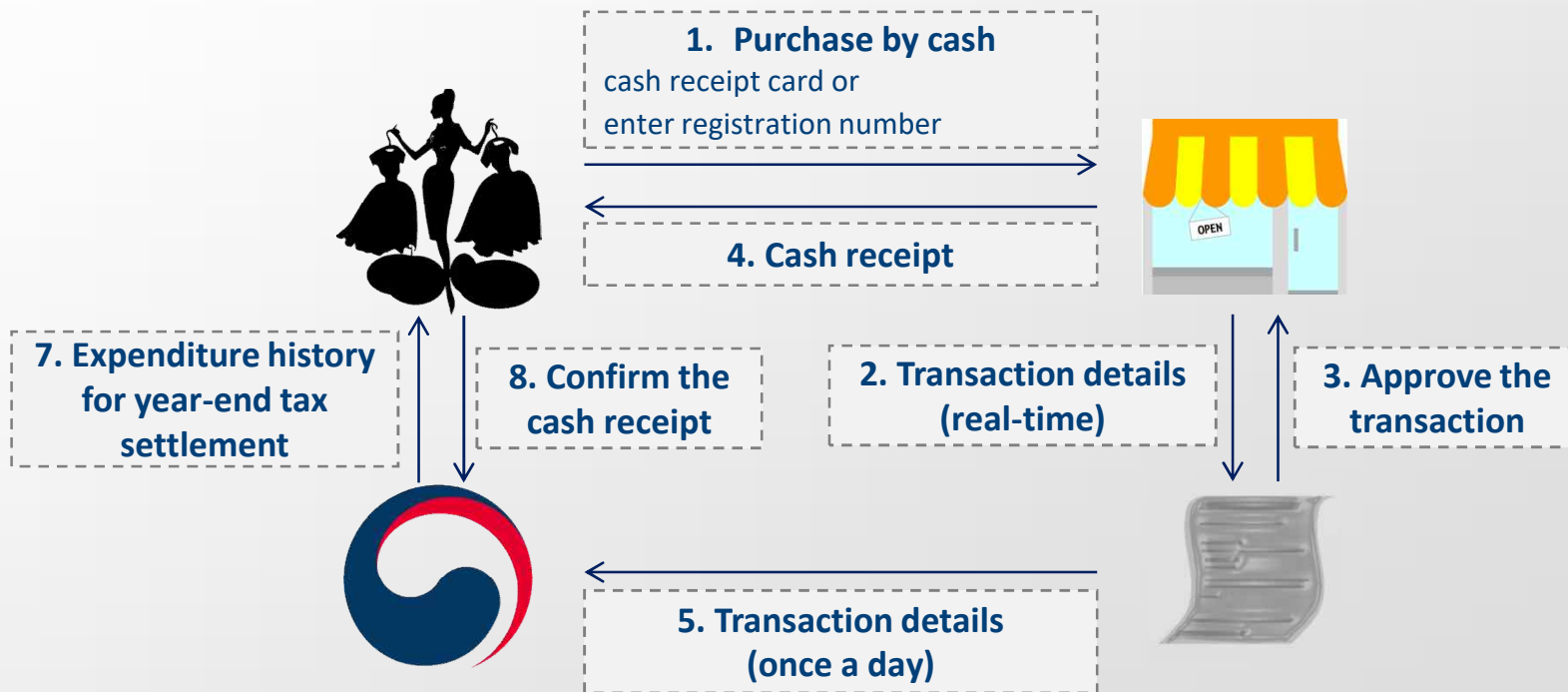
### Effects of tax information management system (TIMS)



## 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

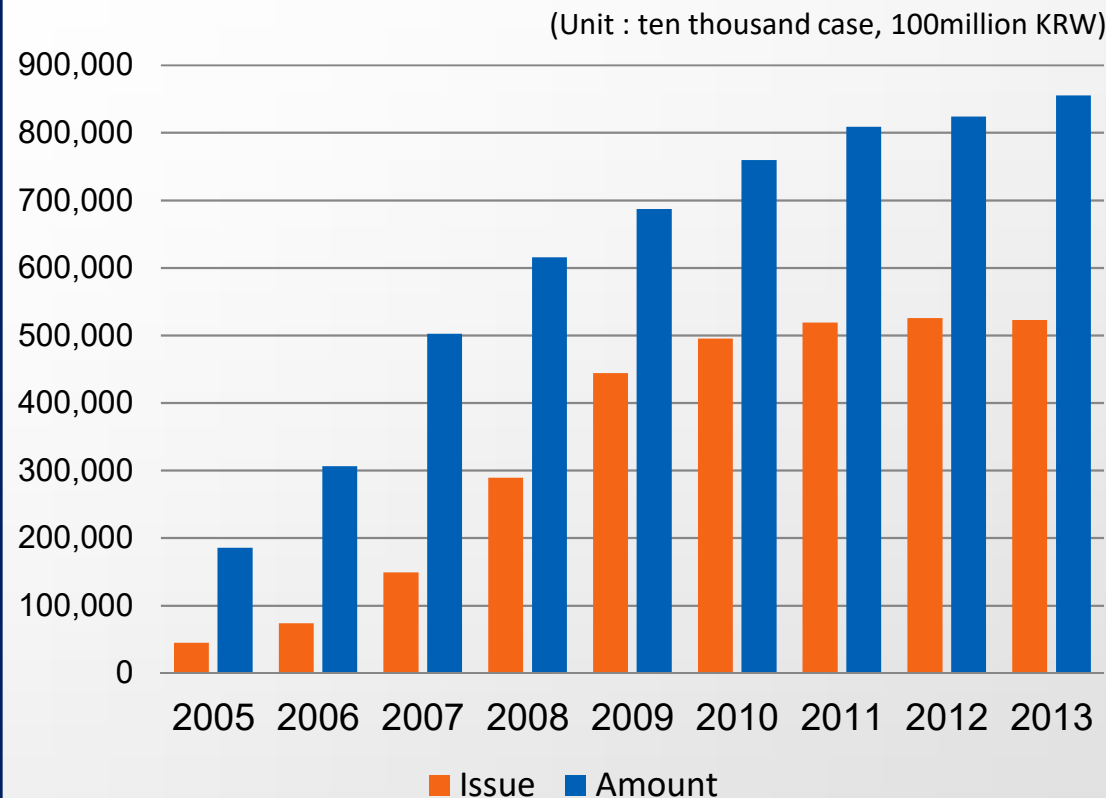
#### Means of authentication



- 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

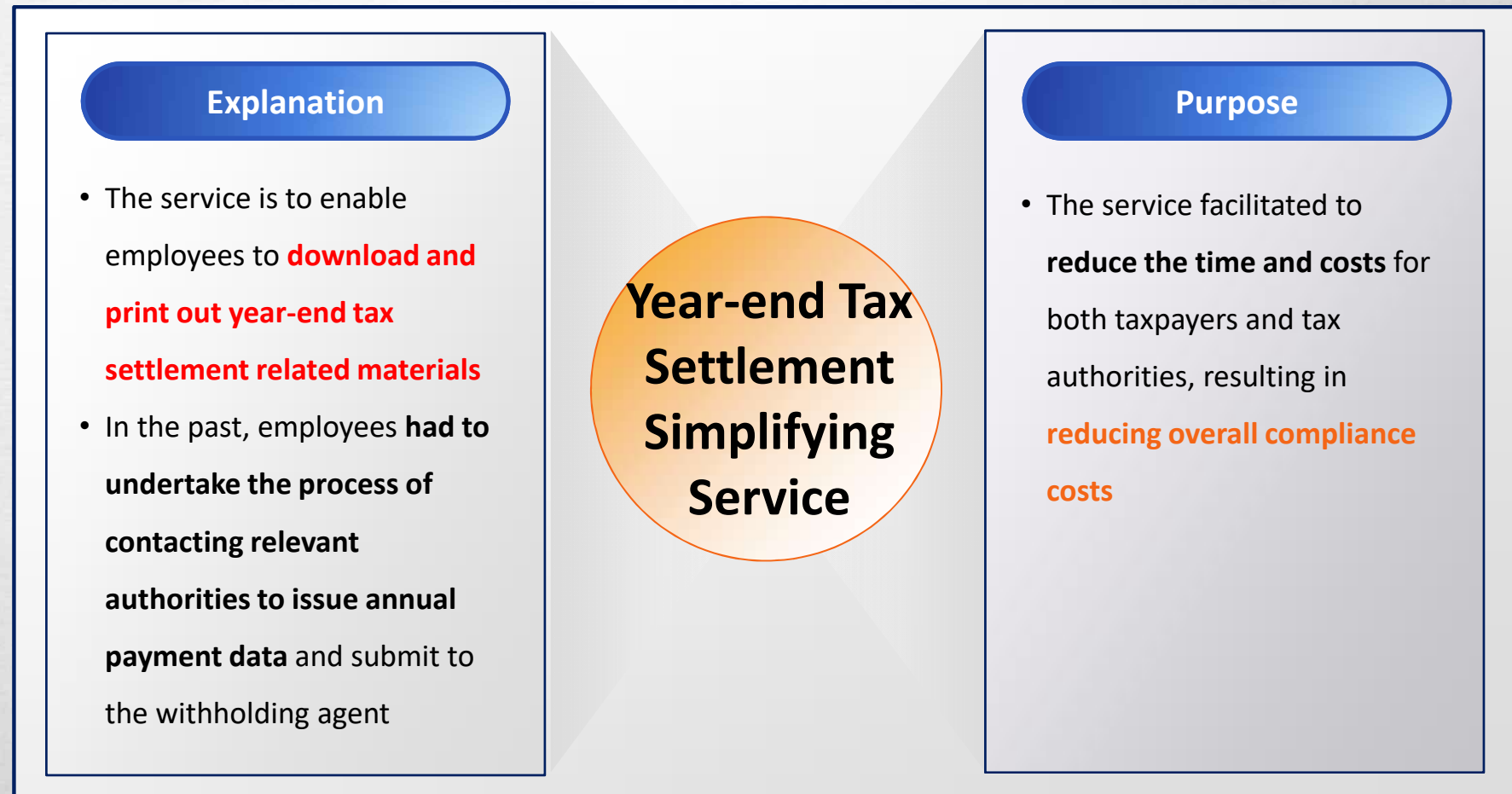


### Broaden the tax base

- 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)

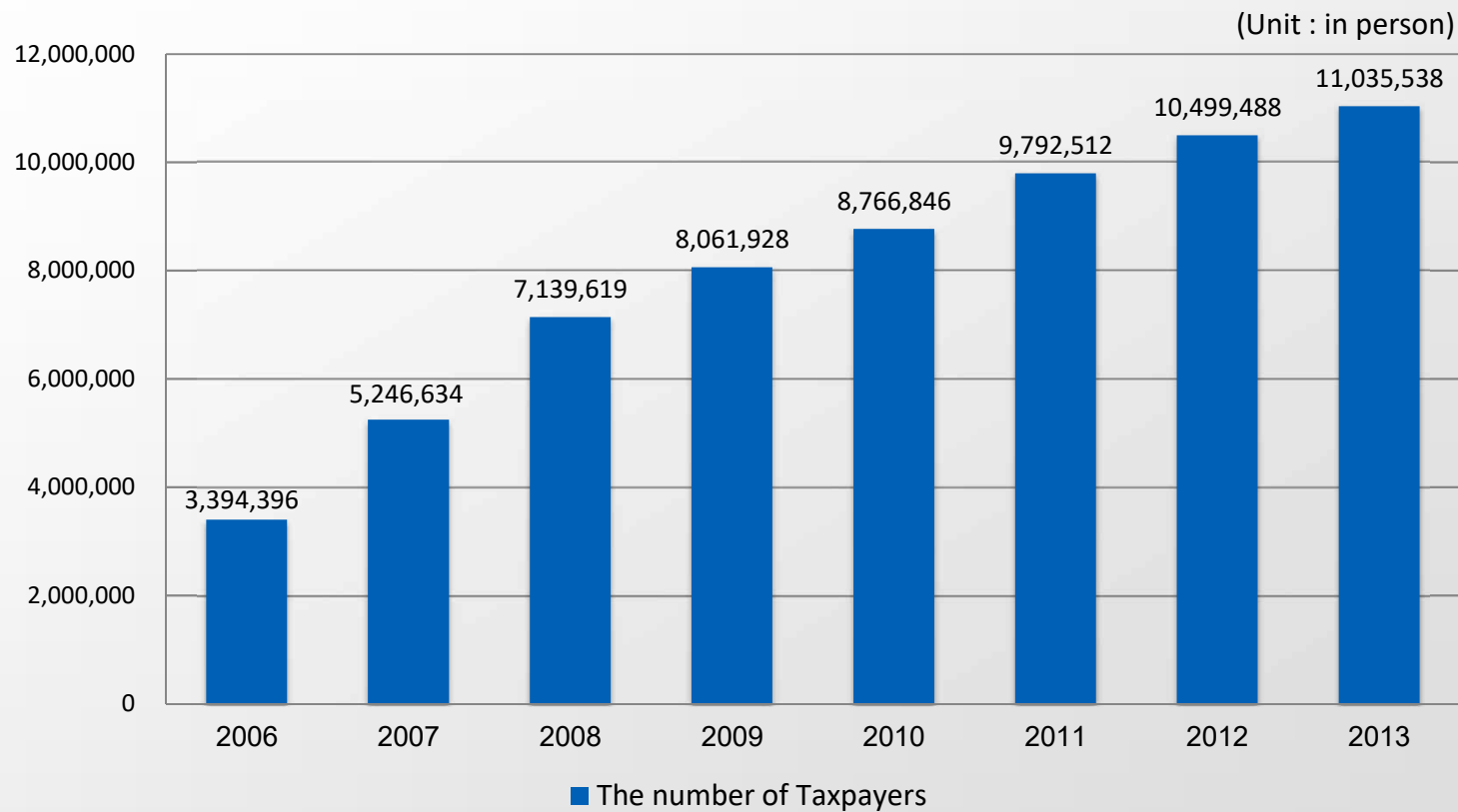
### Explanation and Purpose of year-end tax settlement simplifying service





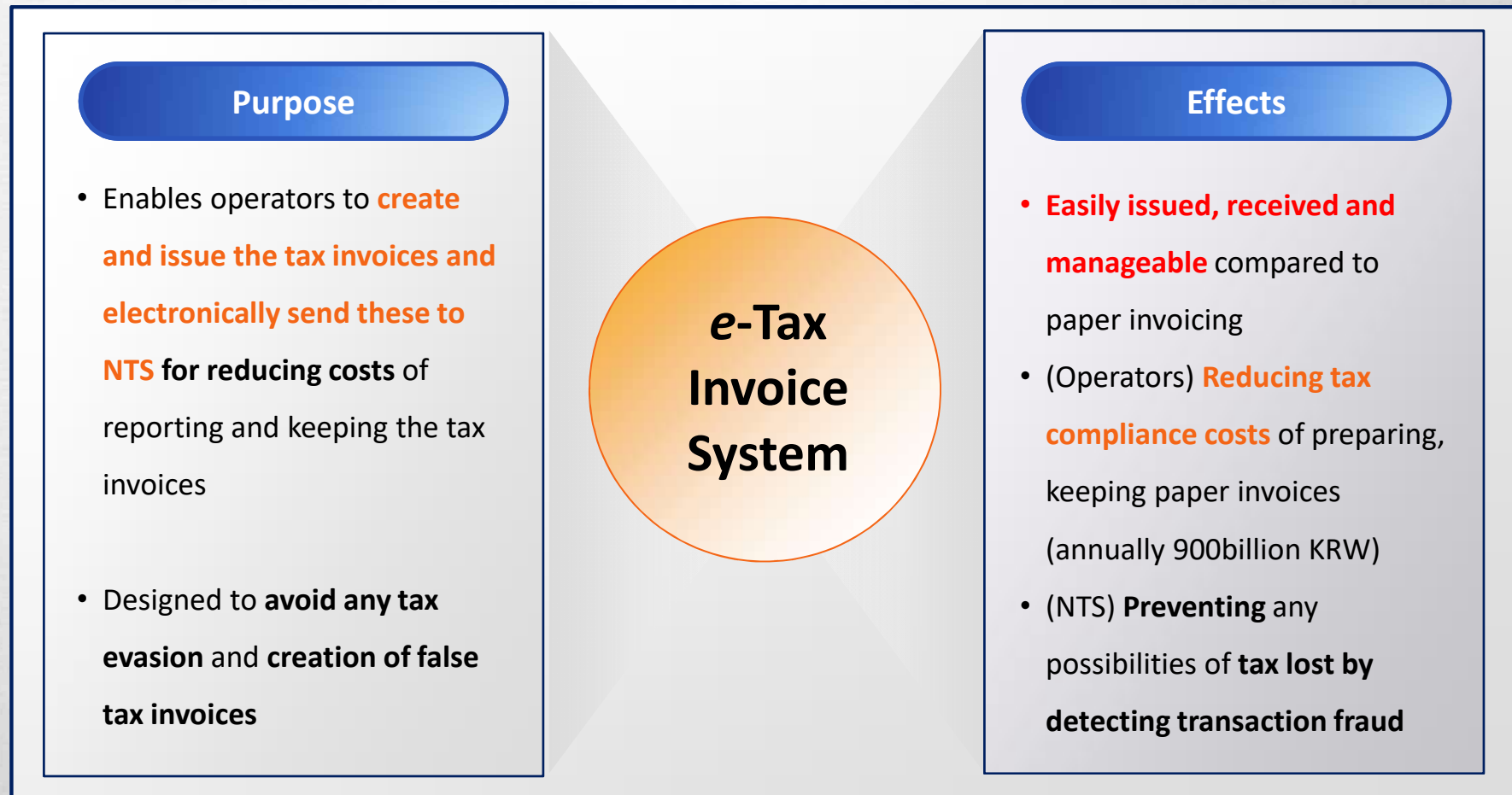
## ⑥ Year-end Tax Settlement Simplifying Service (2006)

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)

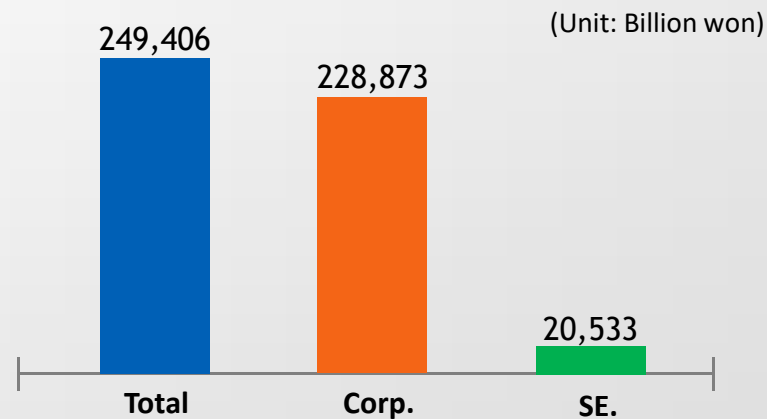
### Achievement of e-Tax invoice system

#### 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

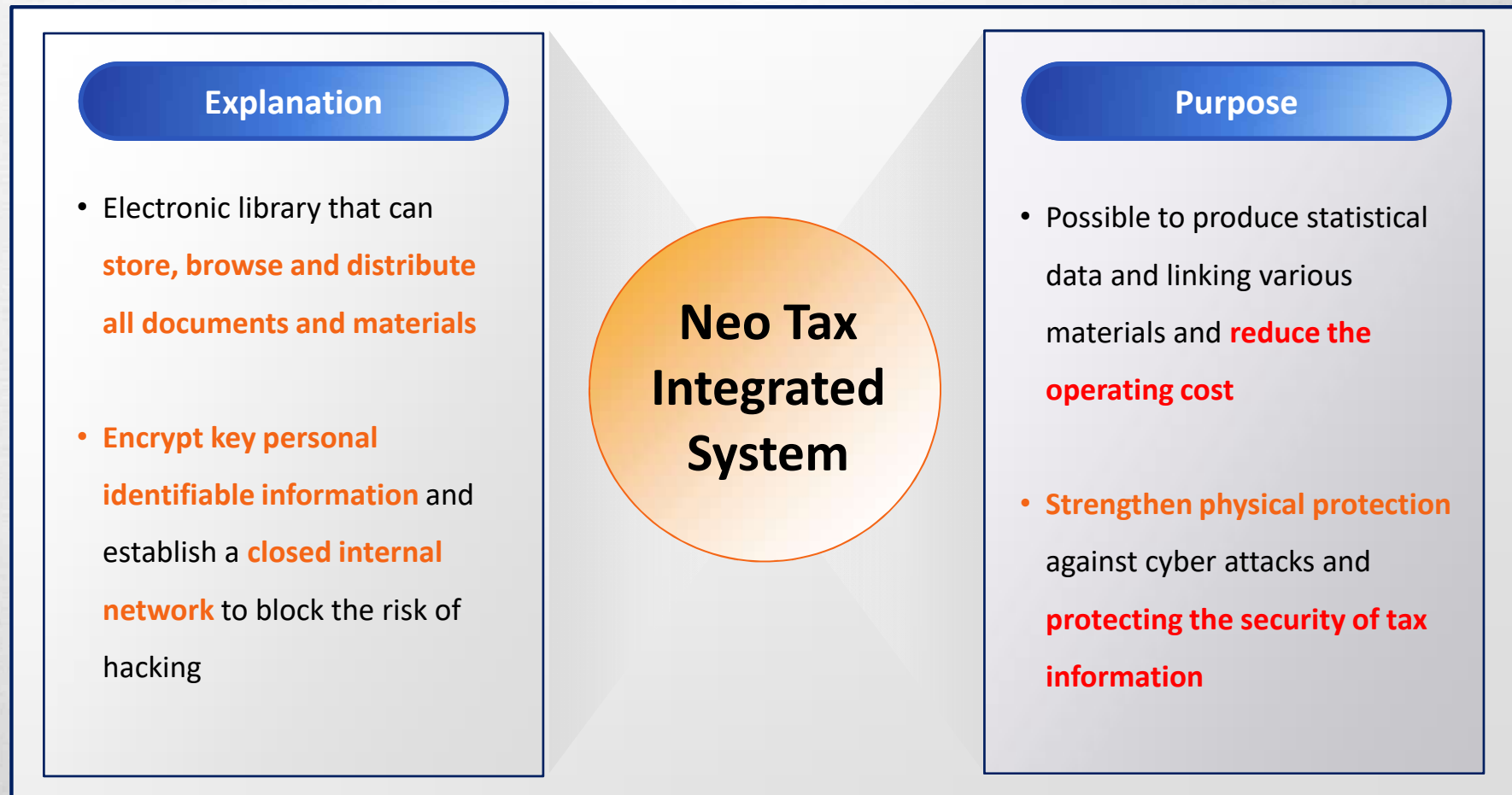
- Corporations issued **228.9 trillion won**, **91.8%** of the total amount
- Self-employed business men issued **20.5 trillion won**

#### Amounts of the e-Tax Invoice in 2015



# ⑧ Neo Tax Integrated System (2015)

## Explanation and Purpose of Neo Tax Integrated System (NTIS)

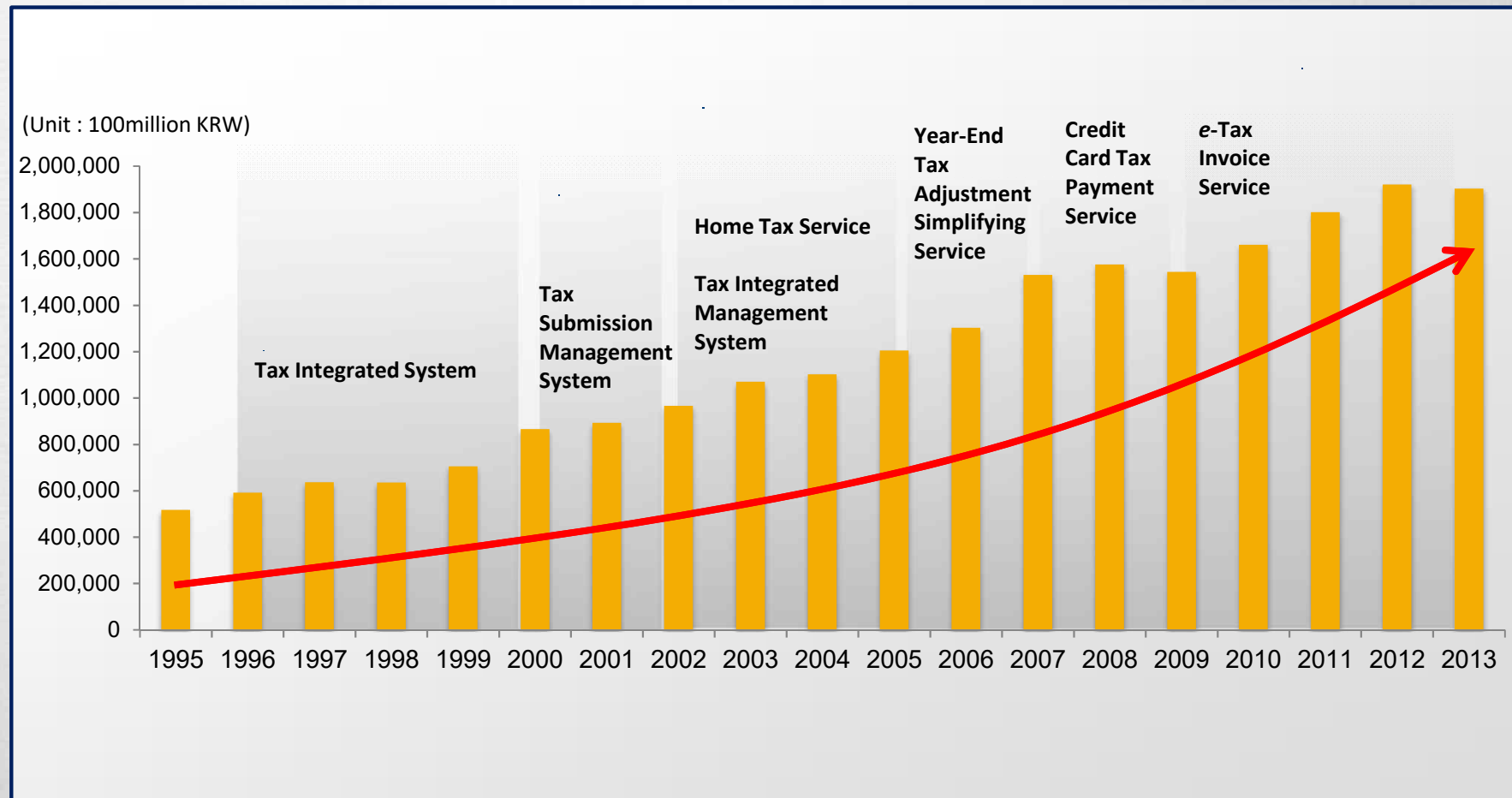




# The Achievements in Korea

# 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	<b>12.3</b>
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	<b>52.8</b>	824	<b>12.1</b>	4,420.7	<b>64.9</b>

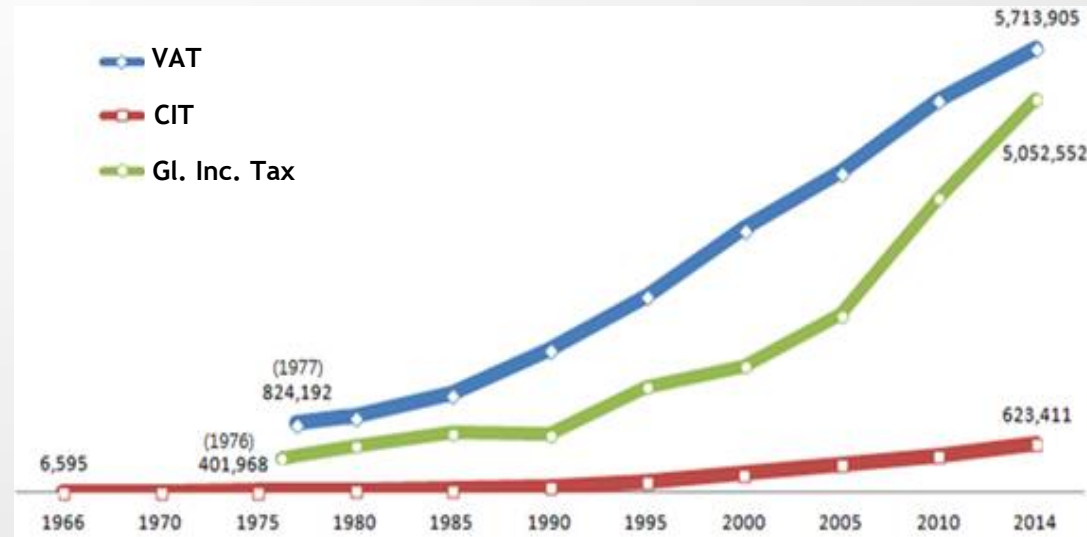
• Broaden the tax base

• Absorbing cash transactions into taxation

# The Achievements in Korea

## Number of taxpayers by tax

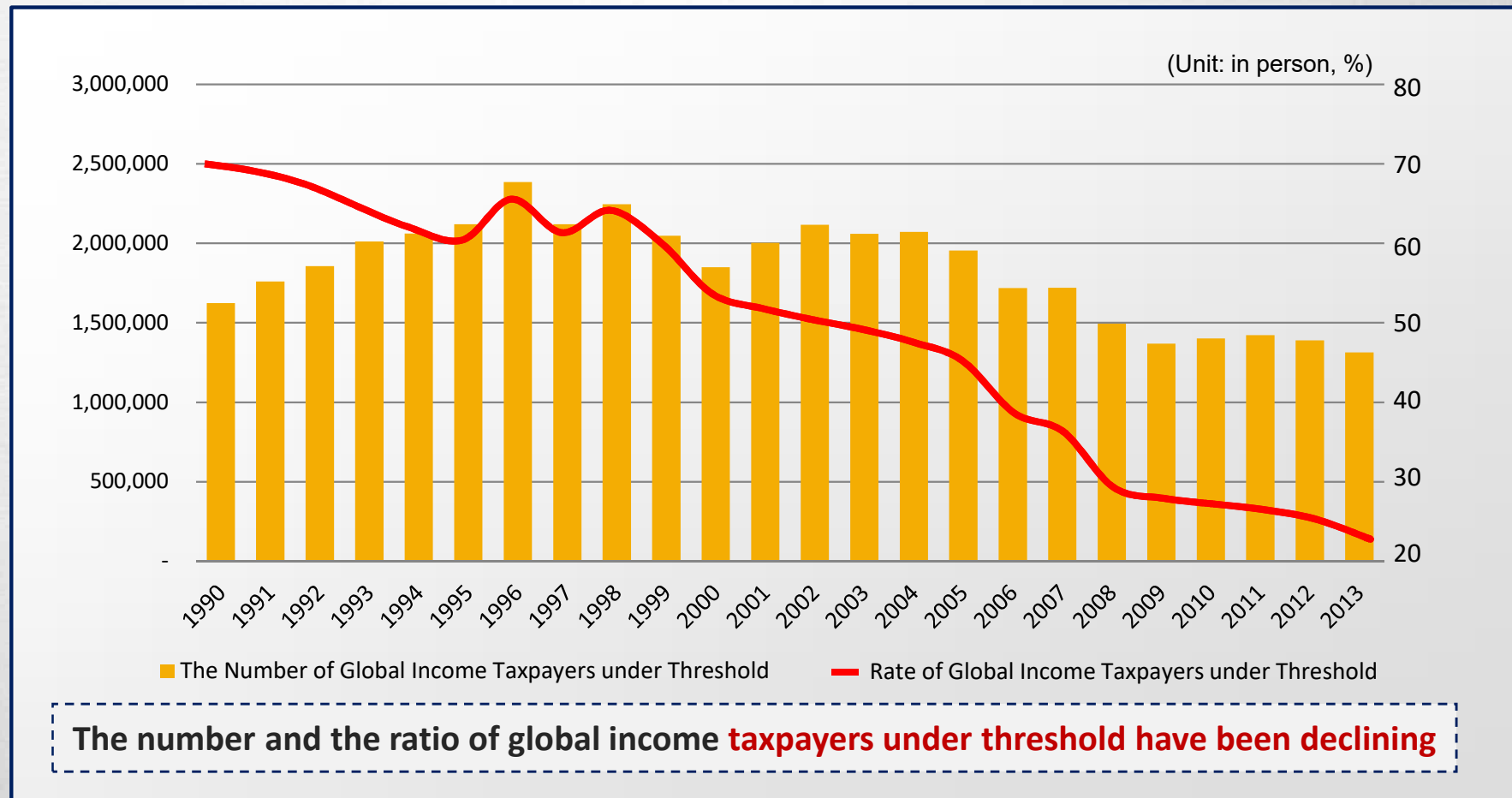
- Number of taxpayers of VAT increased **from 824,000 to 5,714,000**
- For CIT, the number increased **from 6,600 to 623,400**
- For PIT, the number increased **from 402,000 to 5,052,500**





# 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
<b>978.2</b>	<b>311.8</b>	<b>413.2</b>	<b>92.5</b>	<b>93.8</b>	<b>66.9</b>

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

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**