Introduction of BEPS 2.0 and Korea's response.

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With the introduction of BEPS 2.0, the global international tax environment is expected to undergo rapid changes.
Pillar 1 is applied to global companies with consolidated sales exceeding 20 billion euros (about 27 trillion won) and a profit margin exceeding 10%. The key content is to allocate taxation rights to the market's location even if there are no PE assuming that a quarter of the global excess profits of companies are created by the market's contribution.
Pillar 2 is applied to MNEs with consolidated sales of 750 million euros (about 1 trillion won), and the main content is to require the parent company to pay additional taxes to its own tax offices if the effective tax rate falls short of 15 percent.

The Korean government said, "As the unprecedented new international tax system is fully introduced, we will actively communicate in the institutionalization process so that Korean companies can quickly prepare and adapt to the new order."
It also plans to carry out necessary institutionalization procedures such as domestic legislation in 2022 according to the implementation schedule agreed at the IF level. Prior to this, it was decided to proceed with legalization research services in the first half of 2022 and reflect model regulations in the tax law amendment proposed in 2022.

Meanwhile, according to the released "Digital Tax pillar 2 (GloBE) model regulations, the target is a group of MNEs with more than two consolidated sales of more than 750 million euros (about 1 trillion won) out of the four fiscal years. Currently, the government expects many Korean companies to be subject to the global minimum tax. The consolidated sales amounted to more than 1 trillion won, with 245 Korean companies (based on final parent companies) submitting reports by country in 2019.

Another issue in Korea is the impact of Digital Service Taxes and global minimum tax on the current foreign tax credit system, including international double taxation. This issue can affect the revision of the corporate tax law.

It is unclear whether Digital Service Taxes and global minimum tax can be regarded as eligible foreign tax, so it should be clarified through amendments to the multilateral agreement and corporate tax law to prevent double international taxation.

If the existing foreign tax credit system remains the same, even if Digital Service Taxes is introduced, the current method of calculating the national limit of foreign tax payments is theoretically contradictory. Digital Service Taxes is calculated and distributed based on global consolidated income, because it is not logical to calculate the limit for foreign tax payments by country. The introduction of Digital Service Taxes or the global minimum tax is expected to further increase the tax cost of Korean companies, so a lump sum deduction method should also be allowed.