



Accurate
Bookkeeping
Korea

VAT Recovery in Korea

Eligibility and Documentation

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Introduction

Under certain circumstances, foreign companies that provide non-taxable goods or services in Korea – however pay Korean VAT on local goods or services – may apply for VAT recovery. ABK is your reliable partner assisting your company in filing VAT claims, thus making your business expenses in Korea more efficient.

Eligibility

VAT recovery in Korea is based on the **rule of reciprocity**: For foreign companies, VAT recovery is only possible if the foreign jurisdiction of that respective company allows Korean companies to refund VAT. Thus, companies from countries with no VAT (i.e. Hong Kong) are not able to reclaim VAT in Korea.

If the rule of reciprocity is given, companies may apply for VAT refund for the following expenditures (as listed by the Korean Restriction of Special Taxation Act):

- Expenses for office equipment and supplies
- Telecommunication cost
- Advertisement expenditure
- Lodging, restaurant, and hotel expenses
- Maintenance and rent spending for local representative offices
- Cost of renting real estate

Process and Documentation

A VAT refund may be applied for **until the 30th of June for the preceding year**, with a **minimum eligible VAT amount of KRW 300'000**. For a successful application, foreign companies must provide legally appropriate evidence for all incurred expenses in Korea. Tax invoices as well as credit card sales slips – which state the VAT amount separately – are accepted as evidence by Korean authorities.

To apply for a VAT reimbursement, foreign companies have to fill out and submit the **official VAT recovery application form** (published by the National Tax Service (NTS), available in Korean only). The form needs to be signed or sealed by the representative director of the foreign company. Additionally, the company's **business license** in either English or Korean language must be attached.

Furthermore, it is necessary to provide a **tax invoice list** that gives a detailed overview of the accrued VAT amounts, along with all substantiating **invoices and receipts in their original states**. A **questionnaire** giving information about the relevance of the accrued expenses in Korea for the respective company is mandatory for submission as well. And lastly, since ABK will operate on behalf of your company, a **power of attorney** is required.

The **return payment is made within six months** after applying for VAT recovery. Usually, foreign companies receive the amount in December of the reporting year.

Our Service

ABK evaluates your business-related expenses and whether they are eligible for a VAT refund. Afterwards we arrange the refund procedure with the Korean tax authorities. By assisting your company in the VAT reclaim process, it is our objective to reduce your business expenses – i.e. for business trips, congresses, or trade fair appearances – in Korea.

Since the VAT refund may only be transferred to Korean bank accounts, ABK offers companies with no local bank account to transfer the amount to their domestic bank account.

Our service fee for assisting in VAT recovery is 25 % of the applied VAT reclaim amount (min. KRW 1,000,000, excl. VAT).

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