

Wholly Amended by Presidential Decree No. 22395, Sep. 20, 2010

Amended by Presidential Decree No. 22424, Oct. 1, 2010

Presidential Decree No. 22449, Oct. 14, 2010

Presidential Decree No. 22467, Nov. 2, 2010

Presidential Decree No. 22586, Dec. 30, 2010

Presidential Decree No. 22605, Dec. 31, 2010

Presidential Decree No. 22880, Apr. 6, 2011

Presidential Decree No. 22942, May 30, 2011

Presidential Decree No. 23482, Dec. 31, 2011

Presidential Decree No. 23535, Jan. 25, 2012

Presidential Decree No. 23711, Apr. 10, 2012

Presidential Decree No. 23718, Apr. 10, 2012

Presidential Decree No. 23947, Jul. 10, 2012

Presidential Decree No. 23966, Jul. 20, 2012

Presidential Decree No. 23993, Jul. 26, 2012

Presidential Decree No. 24296, Jan. 1, 2013

Presidential Decree No. 24425, Mar. 23, 2013

Presidential Decree No. 24502, Apr. 22, 2013

Presidential Decree No. 24563, May 31, 2013

Presidential Decree No. 24638, Jun. 28, 2013

Presidential Decree No. 24890, Dec. 4, 2013

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Presidential Decree No. 25249, Mar. 11, 2014

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Presidential Decree No. 25700, Nov. 4, 2014

Presidential Decree No. 25751, Nov. 19, 2014  
Presidential Decree No. 25910, Dec. 30, 2014  
Presidential Decree No. 26302, Jun. 1, 2015  
Presidential Decree No. 26290, Jun. 1, 2015  
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Presidential Decree No. 26438, Jul. 24, 2015  
Presidential Decree No. 26431, Jul. 24, 2015  
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Presidential Decree No. 26836, Dec. 31, 2015  
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Presidential Decree No. 26916, Jan. 19, 2016  
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Presidential Decree No. 28211, Jul. 26, 2017  
Presidential Decree No. 28366, Oct. 17, 2017  
Presidential Decree No. 28524, Dec. 29, 2017  
Presidential Decree No. 28583, Jan. 16, 2018  
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Presidential Decree No. 28627, Feb. 9, 2018  
Presidential Decree No. 28686, Feb. 27, 2018  
Presidential Decree No. 28714, Mar. 27, 2018  
Presidential Decree No. 28841, Apr. 30, 2018

Presidential Decree No. 29437, Dec. 31, 2018  
Presidential Decree No. 29498, Jan. 22, 2019  
Presidential Decree No. 29518, Feb. 8, 2019  
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Presidential Decree No. 29797, May 31, 2019  
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Presidential Decree No. 30633, Apr. 28, 2020  
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Presidential Decree No. 30975, Aug. 26, 2020  
Presidential Decree No. 31212, Dec. 1, 2020  
Presidential Decree No. 31243, Dec. 8, 2020  
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Presidential Decree No. 31889, Jul. 13, 2021  
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 Presidential Decree No. 32598, Apr. 19, 2022  
 Presidential Decree No. 32697, Jun. 14, 2022  
 Presidential Decree No. 32747, Jun. 30, 2022

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## **Article 26 (Exception from Heavy Taxation on Corporations in Large Cities)**

(1) "Types of businesses prescribed by Presidential Decree" in the proviso, with the exception of the subparagraphs, of Article 13 (2) of the Act means the following types of businesses: *<Amended on Dec. 30, 2010; Dec. 31, 2011; Jul. 10, 2012; Jan. 1, 2013; Mar. 23, 2013; Apr. 22, 2013; Nov. 19, 2014; Jun. 30, 2015; Dec. 28, 2015; Aug. 11, 2016; Jul. 26, 2017; Dec. 29, 2017; Feb. 9, 2018; Dec. 31, 2019; May 12, 2020; Aug. 11, 2020; Dec. 8, 2020; Dec. 31, 2020; Apr. 27, 2021; Aug. 31, 2021; Dec. 31, 2021; Feb. 28, 2022>*

1. Infrastructure facilities projects defined in subparagraph 3 of Article 2 of the Act on Public-Private Partnerships in Infrastructure (including projects incidental thereto under subparagraph 9 of Article 2 of that Act);
2. Banking business under the Bank of Korea Act and the Export-Import Bank of Korea Act;
3. Overseas construction business reported under the Overseas Construction Promotion Act (limited to real estate for an office used directly for overseas construction business where there exist actual achievement of overseas construction in the relevant year), and housing construction business projects registered with the Ministry of Land, Infrastructure and Transport under Article 4 of the Housing Act (limited to real estate on which housing construction commences within three years after it has been acquired for the housing construction);
4. Telecommunications business under Article 5 of the Telecommunications Business Act;
5. The advanced technological industry publicly notified by the Minister of Trade, Industry and Energy under the Industrial Development Act and the types of advanced business under subparagraph 2 (e) of attached Table 1-2 of the Enforcement Decree of the Industrial Cluster Development and Factory Establishment Act;
6. The distribution industry under the Distribution Industry Development Act, agricultural and fishery product wholesale markets, agricultural and fishery product joint wholesale markets, integrated distribution centers of agricultural and fishery products, and distribution subsidiaries under the Act on Distribution and Price Stabilization of Agricultural and Fishery Products, and livestock markets under the Livestock Industry Act;
7. Passenger transport business under the Passenger Transport Service Act, trucking transport business under the Trucking Transport Business Act, logistics terminal business under the Act on the Development and Management of Logistics Facilities, and warehouse business under Article 3 and attached Table 1 of the Enforcement Decree of the Framework Act on Logistics Policies;
8. Any business operated by a Government-invested corporation or Government-funded corporation (limited to a corporation in which the State or a local government has directly invested or funded at least 20/100 of paid-in capital or underlying property);
9. Medical service under Article 3 of the Medical Service Act;

10. The manufacturing industry operated by an individual (referring to the manufacturing industry under Article 19 (1) 3 of the Income Tax Act): Provided, That this is limited to an enterprise converted into a corporation, as prescribed by Ordinance of the Ministry of the Interior and Safety, and where the value of real estate acquired by an enterprise's conversion into a corporation (referring to the assessed value under Article 4 of the Act) exceeds the value of real estate before the enterprise's conversion into the corporation, the main clause, with the exception of the subparagraphs, of Article 13 (2) of the Act shall apply to the excess value and real estate acquired after the enterprise's conversion into the corporation;
11. Resources recycling business under subparagraph 3 (a) of attached Table 1-2 of the Enforcement Decree of the Industrial Cluster Development and Factory Establishment Act;
12. Software business under subparagraph 3 of Article 2 of the Software Promotion Act and business performed by the Korea Software Financial Cooperative established under Article 61 of that Act for the software industry;
13. Business of operating cultural and arts facilities, such as theaters, under the Public Performance Act;
14. The broadcasting business, CATV relay broadcasting business, CATV music broadcasting business, electric sign board broadcasting business, and signal transmission network business under subparagraphs 2, 5, 8, 11 and 13 of Article 2 of the Broadcasting Act;
15. Business of operating science museum facilities under the Act on the Establishment, Operation and Promotion of Science Museums;
16. Business of operating urban factories under Article 28 of the Industrial Cluster Development and Factory Establishment Act;
17. Business that an investment company for the establishment of small and medium enterprises registered pursuant to Article 37 of the Venture Investment Promotion Act performs to provide assistance in establishing a small and medium-sized enterprise: Provided, That this shall be limited to cases where the registration is completed under that Act within one month after the establishment of a corporation;
18. Business that the Korea Mine Rehabilitation and Mineral Resources Corporation under the Korea Mine Rehabilitation and Mineral Resources Corporation Act performs to rationalize the coal industry;
19. Business that the Korea Consumer Agency established under Article 33 of the Framework Act on Consumers performs to protect consumers;
20. Business that a mutual-aid association established under Article 54 of the Framework Act on the Construction Industry performs for the construction industry;
21. Business that a mutual-aid association established under Article 34 of the Engineering Industry Promotion Act performs for the purposes of its establishment;
22. Business that the Korea Housing and Urban Guarantee Corporation established under the Housing and Urban Fund Act performs for housing construction business;



23. Hire-purchase finance business under subparagraph 12 of Article 2 of the Specialized Credit Finance Business Act;
24. Business operating indoor stadiums, stadiums, and baseball parks that conform to the Korean Standard Industrial Classification publicly notified by the Commissioner of the Statistics Korea pursuant to Article 22 of the Statistics Act (hereinafter referred to as "Korean Standard Industrial Classification");
25. Business that a company specialized in enterprise restructuring registered under Article 14 of the Industrial Development Act (referring to the former Industrial Development Act before the whole amendment to the Industrial Development Act (Act No. 9584) performs for the purposes of its establishment: Provided, That this shall be limited to cases where the registration is completed under that Act within one month after the establishment of such corporation;
26. Business performed by a youth organization under Article 21 (1) of the Act on Restriction on Special Cases concerning Local Taxation, by a scientific research organization or scholarship foundation under Article 45 of that Act, or by a culture and arts organization or sport organization under Article 52 of that Act for the purposes of its establishment;
27. Business managed by a company established under Article 69 of the Small and Medium Enterprises Promotion Act;
28. An improvement project defined in subparagraph 2 of Article 2 of the Act on the Improvement of Urban Areas and Residential Environments or a small-scale housing improvement project defined in Article 2 (1) 3 of the Act on Special Cases concerning Unoccupied House or Small-Scale Housing Improvement, undertaken by an association established pursuant to Article 35 of the Act on the Improvement of Urban Areas and Residential Environments or Article 23 of the Act on Special Cases concerning Unoccupied House or Small-Scale Housing Improvement;
29. Mutual-aid business under Article 37 (1) 3 of the Act on Door-to-Door Sales, such as insurance business for guaranteeing the payment of compensation, which is managed by a mutual-aid association established pursuant to Article 38 of that Act;
30. Business managed by the Korea Housing Finance Corporation established pursuant to the Korea Housing Finance Corporation Act under Article 22 of that Act;
31. Rental housing business operated by a rental business entity registered under Article 5 of the Special Act on Private Rental Housing or by the implementer of a public housing project designated under Article 4 of the Special Act on Public Housing;
32. Business carried on by the Electric Constructors' Financial Cooperative established under Electric Constructors' Financial Cooperative Act for the electric construction business;
33. Business performed by the Mutual Aid Association of the Fire-Fighting Industry established under Article 23 of the Fire-Fighting Industry Promotion Act for the firefighting industry;
34. Business operated by an enterprise selected as a technological innovation-oriented small or medium enterprise under Article 15 of the Act on the Promotion of Technology Innovation of Small and

Medium Enterprises and Article 13 of the Enforcement Decree of that Act: Provided, That any corporation that relocates the head office or the principal place of business or any branch or secondary place of business to a large city from an area outside a large city shall be excluded.

35. Remodeling projects under Article 66 (1) and (2) of the Housing Act implemented by housing remodeling associations under that Act;

36. Business to construct buy-to-rent public housing (limited to residential officetels to be constructed within three years from the date of the agreement which is concluded by a public housing project operator and a buy-to-rent public housing project operator by December 31, 2022 to construct and transfer buy-to-rent public housing under Article 4 (1) 2 and 3 of the Special Act on Public Housing) under that Act;

37. A project by which a public housing project operator designated under Article 4 (1) of the Special Act on Public Housing supplies and manages equity-accumulated equity housing units for sale or profit-sharing public housing units for sale under that Act.

(2) Deleted. <Aug. 12, 2020>

(3) "Type of business prescribed by Presidential Decree" in the proviso, with the exception of the items, of Article 13 (3) 1 of the Act means housing construction business projects under paragraph (1) 3 and, notwithstanding the items of Article 13 (3) 1 of the Act, the period, during which real estate shall be used directly or real estate shall not be used or jointly used for another type of business or other purposes, shall be three years. <Amended on Dec. 30, 2010>

(4) "Type of business prescribed by Presidential Decree, in which lease is deemed unavoidable" in Article 13 (4) of the Act means any of the following types of business: <Newly Inserted on Dec. 30, 2010>

1. Telecommunications business under paragraph (1) 4 (limited to cases where a telecommunications service provider under the Telecommunications Business Act leases telecommunications facilities or facilities pursuant to Article 41 of that Act in order to jointly use them with another telecommunications service provider);

2. Distribution industry, agricultural and fishery product wholesale markets, agricultural and fishery product joint wholesale markets, integrated distribution centers of agricultural and fishery products, distribution subsidiaries and livestock markets (limited to leased parts, where whole or some of stores, etc., the lease of which is permitted pursuant to related statutes, including the Distribution Industry Development Act, are leased) under paragraph (1) 6.

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#### Article 44 (Exception to Heavy Taxation on Corporations in Large Cities)

"Types of business prescribed by Presidential Decree" in the proviso, with the exception of the subparagraphs, of Article 28 (2) of the Act means the types of business falling under any subparagraph of Article 26 (1).

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#### **Article 45 (Scope of and Criteria for Application of Heavy Taxation on Corporations in Large Cities)**

(1) Where an increase in capital or investment arises to meet the minimum requirements for a license or registration due to amendments to the relevant statutes or regulations with respect to the registration of corporations under Article 28 (2) 1 of the Act, the amount of such increase shall not be deemed subject to heavy taxation.

(2) In applying Article 28 (2) of the Act, any of the following cases shall not be deemed subject to heavy taxation. <Amended on Jan. 1, 2013; Dec. 31, 2018; Apr. 27, 2021>

1. Where a domestic corporation in a large city which has operated its business for at least five consecutive years as of the registration date of division incorporates a corporation by division (only applicable to cases meeting all the requirements under Article 46 (2) 1 (a) through (c) of the Corporate Tax Act);

2. Where a financial holding company defined in the Financial Holding Companies Act is established as a result of meeting all the requirements under the subparagraphs of Article 38 (1) of the Restriction of Special Taxation Act, through an all-inclusive share swap under Article 360-2 of the Commercial Act or all-inclusive share transfer under Article 360-15 of that Act. In applying Article 38 (1) 2 and 3 of the Restriction of Special Taxation Act, if stocks fall under any subparagraph of Article 35-2 (13) of the Enforcement Decree of that Act, including cases where stocks are unavoidably disposed of pursuant to statutes or regulations, it shall be deemed that stocks are held or business is operated continuously;

3. Where a mutual-benefit association for the defense industry is established under Article 20 of the Defense Industry Development and Support Act.

(3) In applying Article 28 (2) of the Act, where a corporation for which five years have elapsed after its incorporation in a large city (hereafter in this paragraph referred to as "existing corporation") merges with another existing corporation, such corporation shall not be deemed subject to heavy taxation; where a corporation, other than an existing corporation, becomes a corporation surviving a merger, or a new corporation is incorporated after an existing corporation merges with a corporation for which five years have yet to elapse after its incorporation in a large city, the portion equivalent to the asset ratio of such existing corporation as at the time of the merger shall not be deemed subject to heavy taxation. In such cases, the asset ratio shall be a ratio calculated, if assets are appraised, based on the appraised value, or a ratio calculated, if assets are not appraised, based on the book value of assets as at the time of the merger.

(4) Deleted. <Dec. 30, 2016>

(5) In applying Article 28 (2) of the Act, where any of the following applies to a corporation and the tax base for the registration and license tax on registration under the subparagraphs of Article 28 (2) of the Act is not classified, the registration and license tax shall be distributed pro rata and imposed by calculating,

based on the following formula as in items (a) and (b), the ratio between the turnover of the type of business under each subparagraph of Article 26 (1) (hereafter in this paragraph referred to as "type of business excluded from heavy taxation in large cities") and the turnover of other types of business (hereafter in this paragraph referred to as "type of business subject to heavy taxation in large cities") in the total turnover of the immediately preceding business year (where no turnover exists in the immediately preceding business year, referring to the relevant business year; where no turnover exists in the relevant business year, referring to the next business year): Provided, That where no turnover exists in the following business year, it refers to the value of tangible fixed assets: <Amended on Dec. 30, 2010>

1. Where the corporation concurrently operates the type of business excluded from heavy taxation in large cities and the type of business subject to heavy taxation in large cities;
2. Where the corporation converts the type of business excluded from heavy taxation in large cities to the type of business subject to heavy taxation in large cities;
3. Where the corporation adds the type of business subject to heavy taxation in large cities to the type of business excluded from heavy taxation in large cities:
  - (a) Turnover rate (percentage) for the type of business subject to heavy taxation of a relevant corporation (Percentage);
  - (b) Turnover rate (percentage) for the type of business excluded from heavy taxation of a relevant corporation.

Last updated : 2023-07-27