

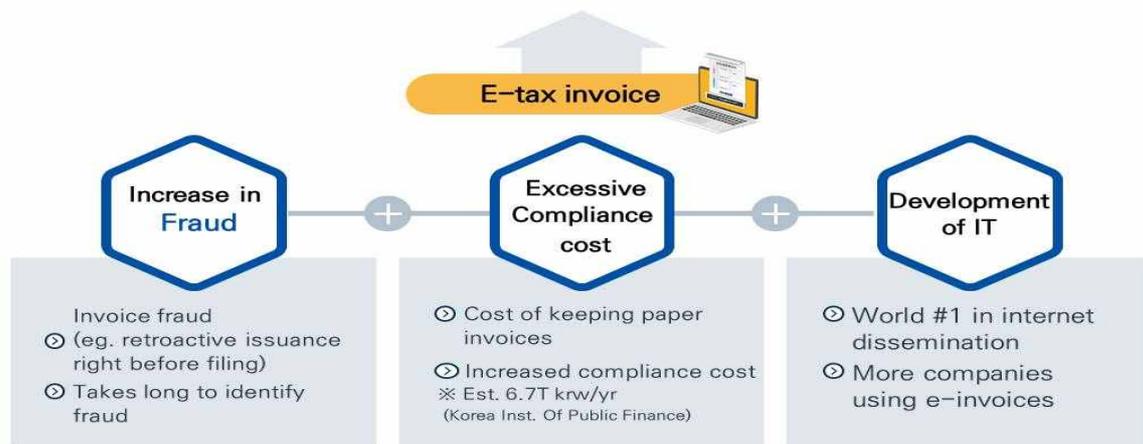
Tax invoice is issued by corporations and individual business owners of VAT-taxable businesses to prove that they supply products and services and collect VAT from vendors.

Small-sized businesses under a certain threshold are not required to issue the invoice. Retails and restaurants and most who deal with consumers do not issue invoice and, instead, file cash receipts or credit card slips to prove their sales revenue.

e-Tax invoice is where such tax invoice is issued electronically in accordance with the tax law and the issuance statement is sent to the NTS.



Enhanced transparency, reduced compliance cost

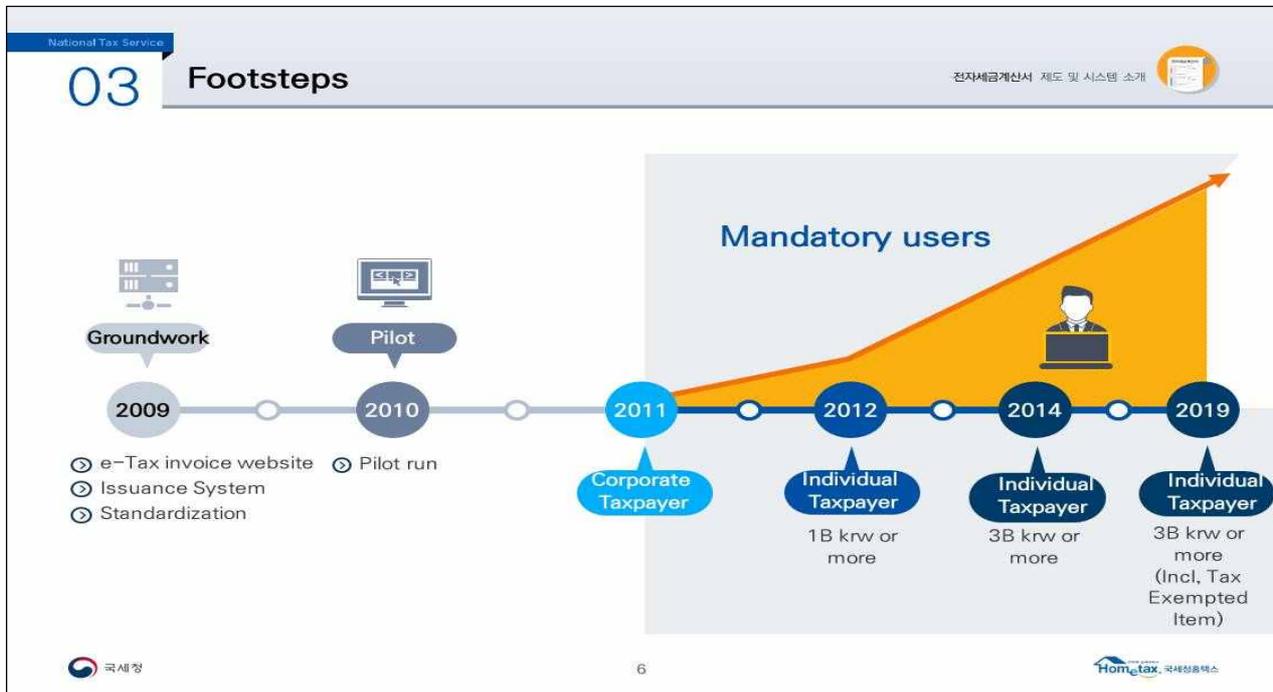


First objective was to secure transparency in business transactions.

Second, the cost of filling in, storing, and reporting paper invoice were very high leading to an issue of cost reduction.

Third, as internet penetration increased and large corporations built business information system within their company, digital environment came right at some point for the electronic issuance of the tax invoice.

Under such environment, the NTS started to planning the e-tax invoice system.



In 2008, master plan to introduce the system was established.

In 2009, NTS standardized different private issuance system to ensure compatibility and established e-tax invoice issuance system.

After the pilot run in 2010, in 2011, NTS made it obligatory for corporations to issue e-tax invoice.

And in 2012 and on, the scope of obligatory issuance has been gradually expanding to individual taxpayers too.

National Tax Service

04 Promotion (1/4) 전자세금계산서 제도 및 시스템 소개

Implementation Call Center Incentive/Penalty Promotions

System Implementation

Platform

- Ⓞ Taxpayer use NTS website for issuance/report/search
- Ⓞ E-Tax Invoice Platform(e-Sero) was introduced in 2009
- Ⓞ All tax functions are integrated into Hometax in 2015

Monitoring and Analysis

- Ⓞ Introduce Early Alarm System and Transaction Flowchart : a monitoring & analysis system
- Ⓞ Detect tax invoice fraud through real time monitoring

국세청 7 Hometax, 국세청홈택스

First, NTS built an internal system where you can issue, send, access the e-tax invoice for taxpayers' benefit.

National Tax Service

04 Promotion (2/4) 전자세금계산서 제도 및 시스템 소개

Implementation Call center Incentive/Penalty Promotions

Call center

Increased mandatory issuers

Increased inquiries on e-tax invoice system

of calls spikes near due date

Peak call times

Peak times

Month's end

Every 10th day of month

25th day following each quarter-end

Year's end

Taxpayer

Telephone or internet queries

Answers on law, regulation, issuance method, homepage use etc

Call center

국세청 8 Hometax, 국세청홈택스

At the call center or consulting center, the inquiries are answered through phone calls and internet regarding law and system and how to issue e-tax invoice and how to use Hometax website.

National Tax Service

04 Promotions (3/4) 전자세금계산서 제도 및 시스템 소개

Implementation | Call Center | **Incentive/Penalty** | Promotions

Incentives and Penalties

Tax credit for issuance
200 krw per issuance
(abolished in 2016)

Documentation waiver
Waiver from reporting statements by every trade partners

Cost reduction
No need to store paper invoices

Penalties/fees
For non/delayed issuance
For non/delayed reporting

국세청 9 HomeTax, 국세청홈택스

As a way of promoting the e-tax invoice system, NTS made incentives and penalties for compliant and non-compliant taxpayers respectively.

National Tax Service

04 Promotions (4/4) 전자세금계산서 제도 및 시스템 소개

Implementation | Call Center | Incentive/Penalty | **Promotions**

Promotions

Initial stage (2010-2011) Brand awareness

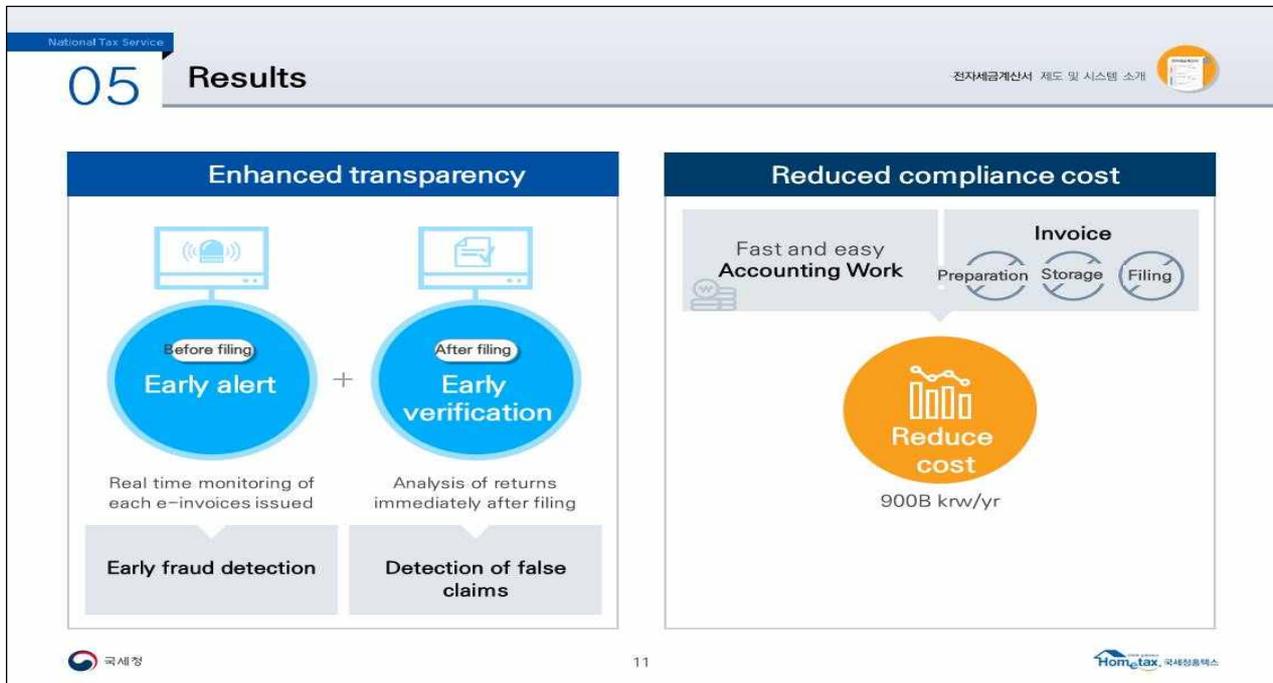
Settlement stage (2012-) Benefits/convenience

- ⊗ Instructions via homepage
- ⊗ Email/postmail instructions for mandatory issuers
- ⊗ Workshops and seminars
- ⊗ Media promotions
- ⊗ Distribution of various contents (video, booklets, etc.)

국세청 10 HomeTax, 국세청홈택스

NTS provided related information on the website and hosted meetings and promotion sessions by way of media and newspapers.

Since 2012 after this system started to settle down, promotion's focus changed to benefits and conveniences.



In order to secure the business transactions' transparency, the NTS built the early alarm system to detect fraudulent invoice prior to filing, and the early verification system to detect after filing through analyzing filed reports.

Businesses were also able to reduce cost of preparing, filing, and storing tax invoice.

One study of Korea Institute of Public Finance, or KIPF, shows that the estimate of financial benefit is 900 billion won.

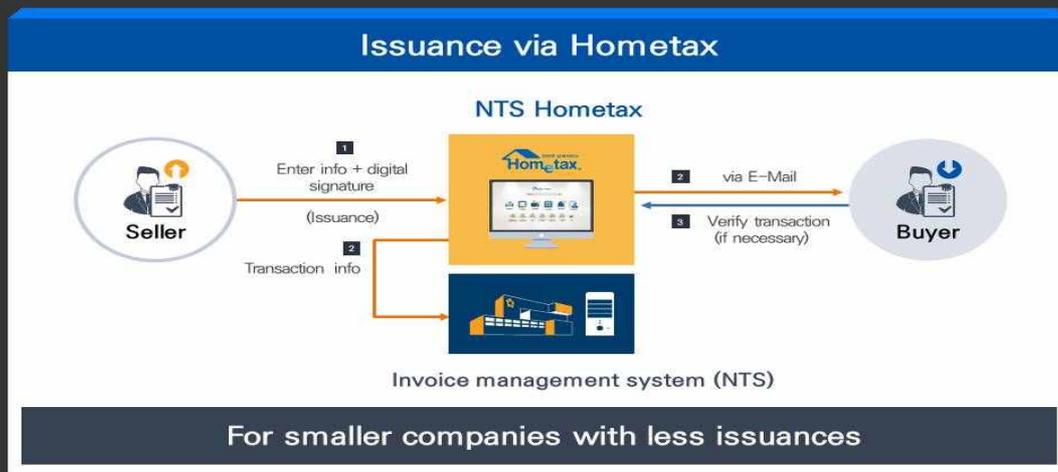


Hometax service includes tax invoice issuance and access to the information. And the collected data is utilized to manage and identify tax revenue.

There are 6 channels where you can issue the tax invoice ; internet issuance, Hometax mobile issuance, and ARS issuance through phone call. District tax offices also issue the invoice.

Taxpayers can also have it issue through system operators or issue by submitting relevant documents.

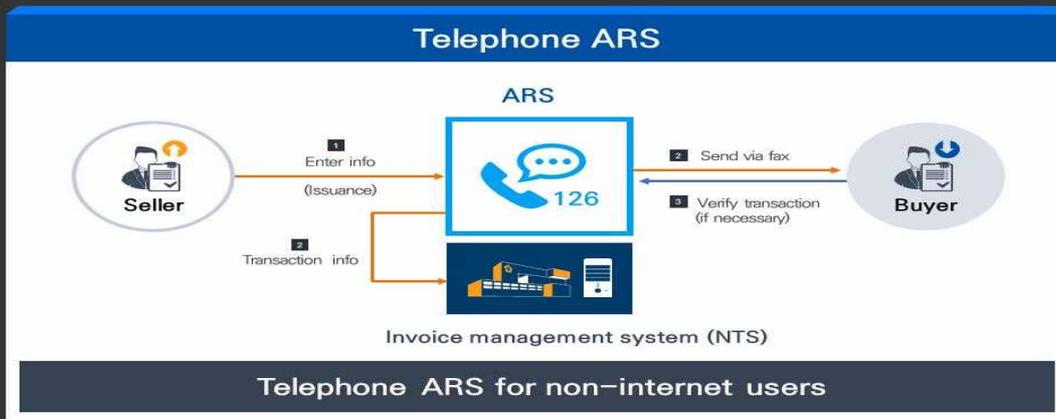
The NTS has the internal system that can analyze and verify the tax invoice information.



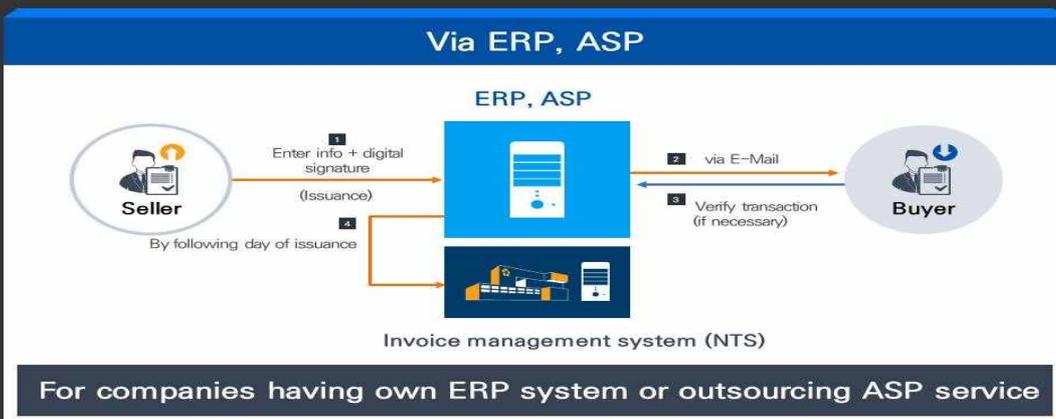
Hometax is a website run by the NTS that you can use for free, and you have to use the digital certificate or your personal security card in order to prevent the fraudulent issuance.

Where the supplier issues the e-tax invoice, as soon as it is issued, the information stored in the NTS.

The purchaser or vendor can see this invoice through the email. The information can be checked through the Hometax as well.



Where internet access are not available, then ARS can be used. Where internet or phone call are not accessible, taxpayers may visit district office near them.



Any website operated by ASP that charges user fee or ERP system of supplier are also available.

The tax invoices that were issued have to be sent to the NTS by the end of the next day.

