

SEOUL METROPOLITAN GOVERNMENT OPERATING RULE ON TAX INVESTIGATIONS

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Partial Amendment No. 3173, Mar. 20, 2001
Amendment of Other Laws No. 3617, Apr. 17, 2008
Partial Amendment No. 3781, Dec. 30, 2010
Partial Amendment No. 3804, Jun. 23, 2011
Whole Amendment No. 4081, Apr. 07, 2016
Amendment of Other Laws No. 4143, Feb. 23, 2017
Amendment of Other Laws No. 4166, Jun. 01, 2017
Amendment of Other Laws No. 4198, Jan. 18, 2018
Partial Amendment No. 4247, Oct. 18, 2018
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CHAPTER I GENERAL PROVISIONS

Article 1 (Purpose)

CHAPTER I GENERAL PROVISIONS The purpose of this Rule is to enhance efficiency in tax investigations, while maximizing protection of rights and interests of taxpayers, by prescribing rules that shall be observed in conducting tax investigations in connection with taxes levied by the Seoul Metropolitan Government (hereinafter referred to as "municipal taxes") pursuant to Article 140 of the Framework Act on Local Taxes. <Amended by Rule No. 4166, Jun. 1, 2017>

Article 2 (Definitions)

The terms used in this Rule are defined as follows: <Amended by Rule No. 4143, Feb. 23, 2017; Rule No. 4166, Jun. 1, 2017; Rule No. 4247, Oct. 18, 2018; Rule No. 4351, Jun. 4, 2020>

1. The term "tax investigation" means an activity of questioning, examining, or investigating books of account, documents, and other articles (hereinafter referred to as "books of account, etc."), or ordering submission thereof, conducted to levy and collect local taxes;
2. The term "investigative officer" means a tax officer to whom a tax investigation of a specific taxpayer is delegated by the Mayor of the Seoul Metropolitan Government (hereinafter referred to as the "Mayor") or the head of a Gu under the jurisdiction of the Seoul Metropolitan Government (hereinafter referred to as "the head of a Gu");
3. The term "investigation manager" means the head of a division responsible for affairs regarding tax investigations who directly instructs and supervises investigative officers;
4. The term "general tax investigation" means an investigation conducted on a regular basis to ascertain whether requirements for levying a local tax on a specific taxpayer are met, whether the tax base or the tax rate applied to a specific taxpayer is appropriate, whether non-taxation or tax reduction or exemption is appropriate (hereinafter referred to as "appropriateness of taxation"), etc.;
5. The term "special tax investigation" means a tax investigation conducted where it is impracticable to produce actual results by conducting a general tax investigation in the light of methods for tax omissions and amounts of taxes omitted;
6. The term "direct tax investigation" means a tax investigation conducted by visiting a taxpayer's office, factory, place of business, residence, or other place to investigate the taxpayer or a person who has a relationship with the taxpayer, face to face;
7. The term "documentary tax investigation" means a tax investigation conducted based upon a tax return or documents submitted by a taxpayer, in addition to a direct tax investigation;
8. The term "overall tax investigation" means a tax investigation conducted by integrating items of taxation subject to payment for the period during which a tax investigation into a taxpayer is conducted;
9. The term "partial tax investigation" means a tax investigation conducted on a specific item or part on part of a transaction;
10. The term "computerized analysis" means a tax investigation conducted through computerized analysis, etc. of electronic data used to retain and manage the status of local taxes paid by taxpayers, details of their tax returns, etc. for the management of the sources of local taxes, of taxation data gathered to levy and collect local taxes, and of other data.

Article 3 (Basic Principles of Tax Investigation)

Every tax investigation shall be carried out in good faith in accordance with the following principles: <Amended by Rule No. 4143, Feb. 23, 2017; Rule No. 4247, Oct. 18, 2018>

1. Principle of good faith:

Every tax investigation shall be executed in good faith, and in particular, no action shall be taken against a taxpayer in contravention of any of the rules already published;

2. Principle of documentary taxation:

Every tax investigation and the exercise of tax-levying power shall be based on objective evidence, such as corporate books of account and evidentiary materials related thereto, and shall be convincing to taxpayers;

3. Principle of proportionality in investigation:

Every tax investigation shall be conducted only to the minimum extent necessary for attaining the objectives of the tax investigation;

4. Principle of separate investigation of each taxpayer:

Every tax investigation shall be conducted separately in view of the level of integrity of tax returns filed, the type of business, and other objective criteria.

Article 4 (Duty to Maintain Confidentiality)

No investigative officer shall provide or disclose the data, etc. he or she has acquired in the course of a tax investigation, or use such data for other purposes than the intended purposes. <Amended by Rule No. 4351, Jun. 4, 2020>

Article 5 (Jurisdiction over Tax Investigation)

(1) A tax investigation shall be performed by the head of the Gu having jurisdiction over the tax domicile of the municipal tax at issue pursuant to Article 3 (1) of the Seoul Metropolitan Government Framework Ordinance on Municipal Taxes: Provided, That in cases deemed necessary to conduct a tax investigation, such as where the head of a Gu requests a tax investigation or where local taxes are evaded, refunded, or reduced in a unjust manner, the Mayor himself or herself may conduct a tax investigation. <Amended by Rule No. 4166, Jun. 1, 2017; Rule No. 4351, Jun. 4, 2020>

(2) Where deemed necessary to ensure the efficiency, etc. of a tax investigation performed under paragraph (1), the Mayor or the head of a Gu may request the head of another local government to conduct the tax investigation. <Amended by Rule No. 4351, Jun. 4, 2020>

Article 6 (Cooperation in Tax Investigation)

(1) If the Mayor or the head of a Gu needs cooperation from another local government because a taxpayer's domicile and place of business (or the address of his or her head office or principal place of business; the same shall apply hereinafter) is not within the jurisdiction over the taxpayer's tax domicile, the Mayor or the head of the Gu shall request the head of such other local government to cooperate in an investigation, before the commencement of the investigation or while conducting the investigation, clearly stating the matters for which cooperation is sought in detail.

(2) Where the Mayor or the head of a Gu receives a request for cooperation from the head of another local government, he or she may conduct a tax investigation within the given period and give notice of results thereof. <Amended by Rule No. 4351, Jun. 4, 2020>

Article 7 (Relationship to Other Regulations)

Except as otherwise provided in other statutes or regulations including local tax-related laws regarding tax investigations in connection with local taxes, this Rule shall apply.

[This Article Wholly Amended by Rule No. 4351, Jun. 4, 2020]

CHAPTER II SELECTION OF PERSONS SUBJECT TO INVESTIGATION

Article 8 (Selection of Persons Subject to Tax Investigation)

CHAPTER II SELECTION OF PERSONS SUBJECT TO INVESTIGATIONThe persons to be subject to general tax investigation and persons to be subject to special tax investigation shall be separately selected according to the level of integrity of tax returns filed with respect to municipal taxes and of tax payments, the type of business, and other relevant criteria. <Amended by Rule No. 4351, Jun. 4, 2020>

Article 9 (Maintenance of Fairness and Validity of Selection Criteria)

In establishing criteria for selecting persons to be subject to investigation, the fairness and validity of tax investigations shall be maintained by applying clear and objective criteria convincing to taxpayers.

Article 10 (Respect for Compliant Tax Returns Filed by Taxpayers)

The Mayor and the head of a Gu shall select persons to be subject to investigation within the minimum extent necessary for inducing taxpayers to voluntarily file compliant tax returns and pay taxes and for realizing fair taxation. <Amended by Rule No. 4247, Oct. 18, 2018>

Article 11 (Persons Subject to General Tax Investigation)

(1) The Mayor and the head of a Gu shall comprehensively examine the current status of comprehensive management of taxable sources of relevant taxpayers and tax returns filed thereby in writing to select persons to be subject to general tax investigation and shall select the persons to be subject to the direct tax investigation under paragraphs (4) in a fair manner in accordance with objective criteria, considering the type of acquisition of property, the amount of the local tax reduction or exemption, the size of business (capital, the amount of acquisition, the number of employees, etc.): Provided, That if the number of cases subject to

selection for an annual investigation exceeds 30 cases, the persons shall be selected through the Local Tax Deliberation Committee. <Amended by Rule No. 4247, Oct. 18, 2018; Rule No. 4351, Jun. 4, 2020>

(2) Meetings of the Local Deliberation Committee with regard to selection of persons to be subject to general tax investigation under paragraph (1) shall be conducted without stating the names of corporations, the names of their representatives, the addresses of their places of business, etc. so that members cannot ascertain the persons to be subject to general tax investigation. <Newly Inserted by Rule No. 4351, Jun. 4, 2020>

(3) Where jurisdiction over a tax investigation is transferred to the Mayor under the proviso of Article 5 (1) but the Local Tax Deliberation Committee under paragraph (1) excludes persons from a tax investigation, the head of a Gu shall perform a tax investigation. <Newly Inserted by Rule No. 4351, Jun. 4, 2020>

(4) In principle, the head of a Gu shall conduct a general tax investigation in the form of a documentary tax investigation but may conduct a direct tax investigation in any of the following cases: <Amended by Rule No. 4351, Jun. 4, 2020>

1. Where a person fails to submit documents for the documentary tax investigation or submits documents made dishonestly;
2. Where the total amount of wages paid by a corporation whose capital is at least one billion won or paid to employees is at least the amount obtained by multiplying by 50 the amount prescribed in Article 85-2 (2) of the Enforcement Decree of the Local Tax Act;
3. Where a person acquired real property worth at least one billion won;
4. Where a person has been granted an exemption or reduction of local taxes of at least 10 million won;
5. Other cases where the heads of other lower tier local governments request tax investigations or the heads of other local governments deem tax investigations necessary.

(5) If it is necessary for preventing double investigation of the same taxpayer, creating a climate for voluntary tax payment, supporting economic and social policies efficiently, etc., certain taxpayers may be excluded from those subject to investigation to the extent that such exclusion does not undermine fairness. <Amended by Rule No. 4351, Jun. 4, 2020>

Article 12 (Persons Subject to Special Tax Investigation)

(1) A person to be subject to a special tax investigation shall be a person who has made or is suspected to make any tax omission based on data regarding tax evasions, and specific selection criteria may be determined by the Mayor or the head of a Gu. <Newly Inserted by Rule No. 4351, Jun. 4, 2020>

(2) A person may be selected to be subject to a special tax investigation under paragraph (1) only in any of the following cases: <Amended by Rule No. 4166, Jun. 1, 2017; Rule No. 4247, Oct. 18, 2018; Rule No. 4351, Jun. 4, 2020>

1. In any of the cases referred to in the subparagraphs of Article 82 (2) of the Framework Act on Local Taxes (hereinafter referred to as the "Act");
2. Where it is necessary to conduct a tax investigation due to a change in a judicial precedent, guidelines, or an authoritative interpretation related to local tax-related laws;
3. Where it is found, in the course of guidance and supervision under Article 167 of the Local Autonomy Act, that a person is suspected to have made any tax omission in an autonomous Gu that shall levy and collect taxes of the Seoul Metropolitan Government with delegated authority;
4. Where the head of a Gu requests a special tax investigation or where the Mayor concludes that it is impracticable to attain the objectives of a tax investigation by conducting a general tax investigation due to any of the reasons referred to in subparagraphs 1 through 3.

(3) If the number of persons to be subject to special investigation under paragraph (1) or the number of cases subject to the selection for an annual investigation does not exceed 30 cases, the Mayor or the head of a Gu shall select persons to be subject to investigation fairly in accordance with a separate plan and objective criteria, taking into consideration the type of tax omission, the type of acquisition of property, the amount of exemption or reduction of local taxes, the size of business (capital, the amount of acquisition, the number of employees, etc.), and other factors. <Amended by Rule No. 4247, Oct. 18, 2018; Rule No. 4351, Jun. 4, 2020>

[Moved from Article 13; previous Article 12 deleted <by Rule No. 4351, Jun. 4, 2020>]

Article 13 (Persons Subject to Partial Tax Investigation)

A person may be selected to be subject to a partial tax investigation in any of the following cases where it is deemed that the objectives of such investigation can be attained based upon the verification of a specific item or part of taxable sources or upon part of a transaction:

1. Where verification is necessary for addressing a request for correction, etc. under Article 50 (3) of the Act or for determining local tax refunds under Article 60 (1) of the Act;
2. Where verification, etc. of factual relevance is necessary following the determination of a re-investigation under Article 96 (5) of the Act (including cases applied mutatis mutandis pursuant to Article 100 of the Act) or under the proviso of Article 88 (5) 2 of the Act;
3. Where verification is necessary with regard to part of a transaction in the course of a tax investigation of the other party to a such transaction;
4. Where specific information is given with regard to suspected tax evasions by taxpayers and verification thereof is necessary;

5. Where verification is necessary with regard to suspected tax omissions made by using a false name, borrowed bank account, etc.;

6. Where an urgent investigation is necessary for securing tax claims as there is a specific suspicion that the details of a specific transaction, such as a fraud transaction or fictitious transaction, are not the same as the facts.

[This Article Wholly Amended by Rule No. 4351, Jun. 4, 2020]

[Previous Article 13 moved to Article 12 <by Rule No. 4351, Jun. 4, 2020>]

Article 14 (Deferment of Tax Investigation for Micro or Compliant Enterprises)

(1) If any of the following persons has no delinquent local tax as at the date of selection eligibility for deferment, the person shall be granted deferment of tax investigations for three years: <Amended by Rule No. 4166, Jun. 1, 2017; Rule No. 4351, Jun. 4, 2020>

1. A person who has acquired real property worth less than one billion won, during the latest five years;

2. A person selected as a taxpayer of merit pursuant to subparagraph 3 of Article 2 of the Seoul Metropolitan Government Ordinance on the Support for Exemplary Taxpayers;

3. A small enterprise defined by Article 2 (2) of the Framework Act on Small and Medium Enterprises or a micro enterprise defined by Article 2 of the Act on the Protection of and Support for Micro Enterprises: Provided, That a small enterprise or a micro enterprise who has acquired real property worth at least two billion won during the latest five years shall be excluded herefrom;

4. Exemplary small and medium enterprises in employment certified under the Seoul Metropolitan Government Ordinance on Certification of and Support for Exemplary Enterprise in Employment;

5. Small and medium enterprises that are on the list of the 100 Exemplary Enterprises in Employment Creation certified by the Ministry of Employment and Labor.

(2) Notwithstanding paragraph (1), a person shall not be eligible for the deferment of tax investigations in either of the following cases: <Amended by Rule No. 4351, Jun. 4, 2020>

1. If any information is found with regard to tax evasions by the relevant corporation;

2. If a corporation registered as a construction business entity performs construction works worth at least 10 billion won in contract prices during a year;

3. If a corporation has more than 50 employees.

CHAPTER III PRACTICES OF TAX INVESTIGATIONS

Article 15 (Prohibition on Double Investigation)

CHAPTER III PRACTICES OF TAX INVESTIGATIONS(1) The same taxpayer shall not be re-investigated with regard to the same tax item or in the same taxable year, and an investigation shall be withdrawn immediately even after the investigation has begun, if it is found that the investigation constitutes double investigation: Provided, That the foregoing shall not apply in any of the cases referred to in the subparagraphs of Article 80 (2) of the Act: <Amended by Rule No. 4166, Jun. 1, 2017; Rule No. 4247, Oct. 18, 2018; Rule No. 4351, Jun. 4, 2020>

1. Deleted; <by Rule No. 4351, Jun. 4, 2020>

2. Deleted. <by Rule No. 4351, Jun. 4, 2020>

(2) When the Mayor or the head of a Gu formulates a plan for tax investigations, he or she shall take measures necessary for preventing double investigation. <Amended by Rule No. 4247, Oct. 18, 2018; Rule No. 4351, Jun. 4, 2020>

(3) Where a taxpayer who has undergone a partial tax investigation becomes subject to an overall tax investigation, the part into which the partial tax investigation has been conducted shall be deemed to have been investigated. <Amended by Rule No. 4351, Jun. 4, 2020>

Article 16 (Observance of Scope of Investigation)

When an investigative officer intends to conduct a tax investigation, he or she shall pre-determine the scope, period, and method of the investigation and observe such matters.

Article 17 (Restriction on Expansion of Scope of Investigation)

(1) Except in any of the following cases, no investigative officer shall expand the scope of tax investigation in the course thereof: <Amended by Rule No. 4166, Jun. 1, 2017; Rule No. 4247, Oct. 18, 2018; Rule No. 4351, Jun. 4, 2020>

1. If a highly probable and suspected tax omission or an error in the application of tax law is related to another taxable period or tax item and thus requiring investigation;

2. If it is necessary on any other ground to expand the scope of tax investigation because of a highly probable and suspected tax omission.

(2) Where an investigative officer expands the scope of tax investigation under paragraph (1), he or she shall give written notice of the reasons therefor and the expanded scope. <Newly Inserted by Rule No. 4351, Jun. 4, 2020>

Article 18 (Methods of Investigation)

Investigations may be conducted by the following methods, based upon the level of integrity of a tax return filed by the person subject to investigation, the scale of business, the type of business, outcomes of the analysis of taxation data, etc.: <Amended by Rule No. 4247, Oct. 18, 2018; Rule No. 4351, Jun. 4, 2020>

1. Where a direct tax investigation is conducted: Inspection of the books of accounts kept and recorded by the taxpayer and evidentiary documents (including electronic records when the books of accounts and evidentiary documents are prepared using computerized programs; hereinafter the same shall apply) related to such books of account; various current status inspection for examining the veracity of such books of account; investigation on customers and on-site inspection;
2. Where a documentary tax investigation is conducted: The methods of investigation under subparagraph 1 shall apply mutatis mutandis where it is impracticable to verify whether the payment of local taxes or taxation is appropriate based on the tax return filed, or the documents submitted, by the taxpayer;
3. Where a partial tax investigation is conducted: The methods of investigation under subparagraph 1 shall apply mutatis mutandis where it is impracticable to verify whether a specific item or part of the sources of local taxes or part of a transaction is appropriate.

Article 19 (Limitation on Place of Investigation)

(1) A tax investigation shall be conducted at the domicile, abode, office, or place of business of a person liable to pay taxes: Provided, That the foregoing shall not apply to any unavoidable case to ensure convenience for the relevant person liable to pay taxes: <Amended by Rule No. 4247, Oct. 18, 2018; Rule No. 4351, Jun. 4, 2020>

1. Deleted; <by Rule No. 4351, Jun. 4, 2020>
2. Deleted. <by Rule No. 4351, Jun. 4, 2020>
- (2) Deleted. <by Rule No. 4351, Jun. 4, 2020>

Article 20 (Restriction on Investigation Time)

A tax investigation on a taxpayer shall be conducted during the taxpayer's business hours except in special cases: Provided, That a tax investigation may be conducted also before or after business hours, upon the taxpayer's request or with the taxpayer's consent, after obtaining approval thereof from the investigation manager. <Amended by Rule No. 4351, Jun. 4, 2020>

Article 21 (Prior Notice of Tax Investigation)

When an investigative officer intends to conduct a tax investigation, he or she shall notify tax items subject to the investigation, the period of and the reasons for the investigation, and the matters specified in the subparagraphs of Article 54 (1) of the Enforcement Decree of the Framework Act on Local Taxes, by not later than 15 days before the commencement of the investigation: Provided, That where it is deemed impracticable to attain the objectives of the tax investigation, if prior notice is given, because of the risk of destruction of evidence, etc., prior notice shall be omitted and a written notice of the tax investigation stating the reasons for such omission, etc. shall be issued when the tax investigation commences. <Amended by Rule No. 4166, Jun. 1, 2017; Rule No. 4247, Oct. 18, 2018; Rule No. 4351, Jun. 4, 2020>

Article 22 (Application for Postponement of Tax Investigation)

- (1) If it is impracticable for a taxpayer to whom notice of a tax investigation has been given under Article 21 to undergo the investigation due to a natural disaster or any of the following causes or events, he or she may file an application for the postponement of the investigation with the Mayor or the head of the relevant Gu: <Amended by Rule No. 4351, Jun. 4, 2020>
 1. If the taxpayer has business hardship due to a fire or any other disaster;
 2. If it is impracticable for the taxpayer to undergo the tax investigation because of illness or a long business trip of the taxpayer or his or her tax manager or any other cause or event;
 3. If books of accounts or evidentiary documents are seized or held provisionally in custody by the relevant authority;
 4. If any cause or event similar to those referred to in subparagraphs 1 through 3 arises.
- (2) A person who wishes to have a tax investigation postponed under paragraph (1) shall file an application with the Mayor or the head of the relevant Gu, stating the following matters:
 1. The name and address or abode of the person who wishes to have the tax investigation postponed;
 2. The period during which the person wishes to have the tax investigation postponed;
 3. The ground on which the person wishes to have the tax investigation postponed;
 4. Other necessary matters.
- (3) Deleted. <by Rule No. 4351, Jun. 4, 2020>
- (4) Deleted. <by Rule No. 4351, Jun. 4, 2020>

Article 23 (Period of Investigation)

The Mayor or the head of a Gu shall determine the period for a tax investigation within the maximum of 20 days in consideration of tax items subject to investigation, the type and size of business, the level of difficulty of investigation, etc.: Provided, That the period for investigation shall be as short as possible to prevent disruption to the taxpayer's economic activities.

[This Article Wholly Amended by Rule No. 4351, Jun. 4, 2020]

Article 24 (Calculation of Period for Investigation)

The period for an investigation begins on the date of commencement (counting from the date of submission of final data) and ends on the date of closing, and Saturdays, official holidays, etc. shall be included from the period for the investigation. <Amended by Rule No. 4351, Jun. 4, 2020>

Article 25 (Restriction on Extension of Period for Investigation)

If any of the causes or events referred to in any of the subparagraphs of Article 84 (1) of the Act arises during a tax investigation, the Mayor or the head of the relevant Gu may extend the period for the tax investigation by not more than 20 days from the day on which the cause or event ceases to exist. In such cases, the period for suspension of the tax investigation shall not be included in the period for the tax investigation and the extended period, and an investigative officer may not question the relevant taxpayer regarding the tax investigation nor demand him or her to allow an inspection or investigation of books of account, etc. or to submit such books of account, etc. <Amended by Rule No. 4166, Jun. 1, 2017; Rule No. 4351, Jun. 4, 2020>

Article 26 (Prohibition of Search and Seizure)

(1) When conducting a tax investigation, the residence, office, or any other place of a taxpayer shall not be searched, nor books of account, documents, etc. shall be seized or provisionally held in custody: Provided, That the foregoing shall not apply to any of the following cases: <Amended by Rule No. 4247, Oct. 18, 2018; Rule No. 4351, Jun. 4, 2020>

1. Where it is found that an offense is being committed;

2. Where evidence of an offense, such as confidential books of account, etc., is found.

(2) In cases under the proviso of paragraph (1), the investigative officer shall report the case to the investigation manager without delay and shall take measures to convert the investigation into an investigation of a local tax offense. <Amended by Rule No. 4351, Jun. 4, 2020>

(3) When a tax authority intends to seize or hold books of account, documents, etc. held in custody under the proviso of paragraph (1), it shall issue a notification of articles seized or held in custody in attached Form 1 and a list of articles seized or held in custody in attached Form 2. <Amended by Rule No. 4351, Jun. 4, 2020>

Article 27 (Deposit of Books of Account and Documents)

(1) If it is crucial to secure evidentiary documents about a suspected tax omission in conducting a special tax investigation, the relevant tax authority may deposit books of accounts, documents, etc. with the consent of a taxpayer. <Amended by Rule No. 4351, Jun. 4, 2020>

(2) When the tax authority intends to deposit books of account, documents, etc. under paragraph (1), the tax authority shall issue a notification of articles deposited in attached Form 3 and a list of articles deposited in attached Form 4. <Amended by Rule No. 4351, Jun. 4, 2020>

(3) Books of account, documents, etc. shall be deposited under paragraph (1) within the minimum extent necessary for the objectives of an investigation. <Newly Inserted by Rule No. 4351, Jun. 4, 2020>

Article 28 (Countermeasures against Investigative Officers Abusing Investigative Power)

If an investigative officer or an investigation manager abuses his or her investigative power as means of the convenience in investigation in contravention of due process and proper methods, the Mayor or the head of the relevant Gu shall take countermeasures necessary for preventing the recurrence of such abuse. <Amended by Rule No. 4351, Jun. 4, 2020>

Article 29 (Restriction on Exercise of Investigative Power and Right to Have Assistance from Specialists)

(1) The investigative power over the taxpayer subject to an investigation and persons related to such taxpayer shall be exercised only to the extent necessary for the investigation. <Amended by Rule No. 4247, Oct. 18, 2018; Rule No. 4351, Jun. 4, 2020>

(2) When a taxpayer becomes subject to a tax investigation with regard to a local tax, the taxpayer may have an attorney-at-law, certified public accountant, or certified tax accountant be present at the investigation or express his or her opinion with regard thereto. <Amended by Rule No. 4351, Jun. 4, 2020>

CHAPTER IV MANAGEMENT OF INVESTIGATIONS

Article 30 (Formulation of Investigation Plans)

CHAPTER IV MANAGEMENT OF INVESTIGATIONS(1) The Mayor or the head of a Gu shall formulate an annual comprehensive investigation plan, upon workload, conditions of human resources, etc. <Amended by Rule No. 4351, Jun. 4, 2020>

(2) When the Mayor formulates an investigation plan under paragraph (1), he or she shall collect the opinions of the heads of Gus and take necessary measures so as to prevent double investigation of the same taxpayer. <Amended by Rule No. 4351, Jun. 4, 2020>

Article 31 (Preparation for Investigations)

(1) Before commencing a tax investigation, an investigative officer shall analyze and examine the following data available, define problems of the person subject to the investigation and main issues of the investigation, and set directions for the investigation, so

as to conduct the investigation efficiently:

1. Details of voluntary tax payments;
2. Computer-processed data;
3. Data from administrative agencies;
4. Information and data collected from other sources.

(2) An investigative officer shall define problems found in the course of preparation for an investigation, prepare a report on preparation for investigation, and submit it to the investigation manager.

(3) An investigation manager shall set directions for an investigation in advance so as to ensure the efficient execution of the investigation and shall show the direction to the relevant investigative officers in detail.

Article 32 (Conducting of Partial Tax Investigation)

The Mayor or the head of a Gu may conduct a partial tax investigation taking into account convenience for taxpayers, the efficiency of an investigation, etc., in any of the following cases:

1. Where an investigation into specific tax items is necessary in consideration of the characteristics of tax items, types of tax returns filed by taxpayers, the scale of business, suspected tax evasions, etc.;
2. Where an urgent investigation into specific tax items is necessary to secure tax claims;
3. Where verification is necessary with regard to part of a transaction in the course of an investigation into the other party to the transaction;
4. Other cases where verification is necessary with regard to specific places of business, specific items, or specific transactions for the efficiency of a tax investigation, convenience for taxpayers, etc.

[This Article Newly Inserted by Rule No. 4351, Jun. 4, 2020]

[Previous Article 32 moved to Article 33 <by Rule No. 4351, Jun. 4, 2020>]

Article 33 (Direction of Investigations)

(1) All tax investigations shall be conducted under the direction of an investigation manager.

(2) If an investigation manager is unable to direct investigations for a substantial period, a person acting on behalf of the investigation manager shall become the acting investigation manager.

[Moved from Article 32; previous Article 33 moved to Article 34 <by Rule No. 4351, Jun. 4, 2020>]

Article 34 (Commencement of Investigations)

(1) When an investigative officer commences a tax investigation, he or she shall present a certificate verifying his or her status to a taxpayer or an interested person, issue the Charter of Taxpayers' Rights to such taxpayer or interested person, read the essentials thereof in person to him or her, and explain the reasons for and the period of the investigation, details of and procedures for the affairs of a taxpayers' advocate regarding the protection of rights and interests of taxpayers under Article 77 (2) of the Act, procedures for relief for breached rights, etc.

(2) Where an investigative officer conducts a tax investigation in writing, he or she shall give written notice to a taxpayer or an interested person of the essentials of the Charter of Taxpayers' Rights to be read and the matters to be explained under paragraph (1).

[This Article Wholly Amended by Rule No. 4351, Jun. 4, 2020]

[Moved from Article 32; previous Article 33 moved to Article 34 <by Rule No. 4351, Jun. 4, 2020>]

Article 35 (Reporting on Investigations)

An investigative officer shall report matters investigated to the investigation manager.

[This Article Wholly Amended by Rule No. 4351, Jun. 4, 2020]

[Moved from Article 34; previous Article 35 moved to Article 36 <by Rule No. 4351, Jun. 4, 2020>]

Article 36 (Management of Investigation Process)

(1) An investigative officer shall investigate problems encountered while preparing for an investigation and matters instructed by the investigation manager thoroughly and report the details of the investigation in writing.

(2) Upon receipt of a report on a tax investigation, the investigation manager shall instruct the direction of investigation with regard to the matters to be investigated afterwards and new problems so as not to omit any investigation of persons selected to be subject to investigation.

(3) Where a person selected to be investigated refuses or evades submission of data, such as documents for a documentary tax investigation, he or she shall pay an administrative fine prescribed in Article 108 (1) of the Act.

(4) An investigative officer shall secure specific evidentiary documents for all facts found through a tax investigation, so as to prevent any potential dispute. <Newly Inserted by Rule No. 4351, Jun. 4, 2020>

[This Article Wholly Amended by Rule No. 4351, Jun. 4, 2020]

[Moved from Article 35; previous Article 36 deleted <by Rule No. 4351, Jun. 4, 2020>]

Article 37 (Termination of Investigations)

(1) Where an investigative officer intends to terminate a tax investigation, he or she shall compile the details of the investigation and report the results to the investigation manager.

(2) Upon receipt of a report on the termination of an investigation under paragraph (1), the investigation manager shall examine the details of such report and determine whether to terminate the investigation.

(3) An investigative officer shall give a specific explanation of the results of an investigation to a taxpayer or his or her tax agent, and shall inform in detail him or her of the methods for relief for breached rights where any objection is filed to such results.

[This Article Newly Inserted by Rule No. 4351, Jun. 4, 2020]

[Moved from Article 38 <by Rule No. 4351, Jun. 4, 2020>]

Article 38 (Notice of Results of Tax Investigation)

(1) When an investigative officer confirms the results of an tax investigation, he or she shall give written notice of the following matters to a taxpayer within seven days from the day on which such results are confirmed: <Newly Inserted by Rule No. 4351, Jun. 4, 2020>

1. The period for the tax investigation and tax items;

2. Where a tax base or the amount of a tax is determined or corrected, the reasons for such determination or correction and the grounds for calculation;

3. The fact that a revised tax base return may be filed under Article 49 of the Act;

4. The fact that a pre-assessment review may be requested under Article 88 (1) of the Act.

(2) Notwithstanding paragraph (1), notice of the results of a tax investigation may be omitted in any of the following cases:

<Amended by Rule No. 4166, Jun. 1, 2017; Rule No. 4247, Oct. 18, 2018; Rule No. 4351, Jun. 4, 2020>

1. Where a cause or event referred to in Article 22 (1) of the Local Tax Collection Act arises to justify collection before the deadline for tax payment;

2. Where the period from the date it is intended to give notice of the results of an investigation, to the end of the period of exclusion from levying or the date the power to collect relevant taxes is extinguished by prescription is not more than three months;

3. Where it is impossible to give notice because a taxpayer's whereabouts are unknown or the relevant business is permanently closed;

4. Where the taxpayer does not have any tax agent, nor have a domicile or place of business in the Republic of Korea.

5. Where an investigation is terminated following a decision of a reinvestigation made under the provisos of Articles 88 (5) 2 and 96 (1) 3 of the Act;

6. Where receipt of a written notice of the results of a tax investigation is refused or evaded.

[Moved from Article 37; previous Article 38 deleted <by Rule No. 4351, Jun. 4, 2020>]

Article 39 (Notice of Tax Information and Development and Dissemination of Investigative Methods)

(1) Various tax information acquired in the course of investigations shall be recorded in the tax data processing register, and notice of tax data related to another local government or data related to national taxes shall be given to the head of the local government or the head of the relevant tax office without delay.

(2) An investigative officer shall report to the Mayor and the Minister of the Interior and Safety to correct the problems in statutes or regulations, and systems, which are identified in the course of an investigation. <Amended by Rule No. 4198, Jan. 18, 2018>

(3) In order to develop and disseminate investigative techniques, the Mayor shall manage exemplary investigative techniques and notify the head of each Gu of such techniques.

Article 40 (Management of Tax Investigation List and Data)

(1) The Mayor or the head of a Gu shall prepare and manage a list stating the current status of corporations subject to tax investigations, history of investigation into such corporations, permanent closure of their business, etc. <Newly Inserted by Rule No. 4351, Jun. 4, 2020>

(2) In order to prevent double tax investigation and improve efficiency in service, each investigative officer shall enter and manage the following information in the integrated tax system: <Amended by Rule No. 4351, Jun. 4, 2020>

1. Persons subject to a tax investigation;

2. The period and details of a tax investigation, the additionally levied tax amount, the ground for additional levying, evidentiary documents, the detail of objection;

3. The management of registers of results of a tax investigation for each taxpayer and for each tax item and other necessary work.

(3) In order to ensure efficient management of tax investigation data, the Mayor shall maintain the integrated tax system optimally. <Amended by Rule No. 4351, Jun. 4, 2020>

CHAPTER V SUPPLEMENTARY PROVISIONS

Article 41 (Code of Conduct of Investigative Officers)

CHAPTER V SUPPLEMENTARY PROVISIONS(1) The Mayor shall issue a certificate carried by an investigative officer under

Article 140 (2) of the Act to each investigative officer and shall recover and destroy such certificate if the officer retires from office or is transferred to other places or there is any other change to his or her status. <Amended by Rule No. 4351, Jun. 4, 2020>

(2) Every investigative officer shall have thorough knowledge of a Code of Conduct of Investigative Officers and shall fully observe it.

(3) Deleted. <by Rule No. 4351, Jun. 4, 2020>