SEOUL METROPOLITAN GOVERNMENT OPERATING RULE ON TAX INVESTIGATIONS

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CHAPTER I GENERAL PROVISIONS

Article 1 (Purpose)

CHAPTER I GENERAL PROVISIONSThe purpose of these Rules is to prescribe the obligations regarding investigations of matters pertaining to the municipal taxes of Seoul Metropolitan City, in order to protect the rights and interests of taxpayers and contribute to the efficient discharge of tax investigation affairs.

Article 2 (Definition)

The definitions of the terms used in these Rules shall be as follows:
1. "Tax investigation" refers to the activities of the investigating official, based on the authority to inquire and inspect prescribed by the Framework Act on Local Taxes (hereinafter referred to as the “Act”), including questioning persons such as taxpayers or entities found to have engaged in transactions with a taxpayer, and inspecting, investigating, or ordering the submission of, relevant books, documents or other items (hereinafter referred to as “books”) after advance notice or notice of tax investigation under the investigation plan, for the assessment and collection of Seoul Municipal City’s municipal taxes (hereinafter “municipal taxes”) by the taxpayer.
2. "On-site verification" refers to the presence of an investigating official on site, who, while not actually conducting a tax investigation, discharges the following duties with regard to taxpayers or entities found to have engaged in transactions with a taxpayer(s), etc.
(a) Verification of the facts in order to collect evidence prior to the start of an investigation, or to select the subject of a tax investigation (hereinafter referred to as the “investigation subject”);
(b) Verification of the facts, such as a taxpayer’s customers or transactions with another party, in the course of an investigation;
(c) Verification of the facts concerning any cause for additional collection of taxes, or determination of whether to apply heavy taxation after applying tax exemptions or deductions under the laws governing local taxation;
(d) Data consisting of suspicious data, disguised or fictitious data, or data derived from an investigation of an offense, which can be confirmed by simple factual verification;
(e) Verification of financial transactions, such as bank accounts, for factual verification of a taxpayer’s transactions;
(f) Verification of the current status of a taxpayer’s place of business or bookkeeping records;
(g) On-site appearance and verification to handle complaints, one-time verification duties for the handling of tax evasion reporting data, taxation ledgers, taxation data, etc.;
(h) Other causes equivalent to items (a) to (g) due to work necessitating on-site travel for the purpose of verification rather than investigation.
3. "Investigating official" refers to a tax official who is ordered by the Seoul Metropolitan City Mayor (hereinafter referred to as the “Mayor”) or the competent head of a Gu in Seoul Metropolitan City (hereinafter referred to as a “head of Gu”) to conduct a tax investigation of a specific taxpayer.
4. "Investigation chief" refers to the head of the department in charge of tax investigation who personally directs and supervises an investigating official.
5. "Periodic selection" refers to the selection of investigation subjects by the method under Article 82 (1) of the Act.
6. "Occasional selection" refers to the selection of investigation subjects under Article 82 (2) of the Act by a method other than periodic selection.
7. "General tax investigation" refers to a tax investigation conducted by periodic selection to verify whether the requirements for

local taxation are met, and to confirm the appropriateness of the tax base and tax rate, the appropriateness of tax exemption or reduction, etc. of a specific taxpayer.
8. "Special tax investigation" refers to a tax investigation conducted on the basis of a tax investigation plan separately from a general tax investigation.
9. "Urgent tax investigation" refers to a tax investigation conducted immediately when early securing of tax receivables is required.
10. "Joint investigation" refers to a tax investigation conducted jointly by two or more heads of local governments.
11. "Direct investigation" refers to a tax investigation conducted by visiting a taxpayer’s main office, main business, address, etc.
12. "Written investigation" refers to a tax investigation conducted at the investigating agency with books submitted by the taxpayer and not by direct investigation.
13. "Integrated investigation" refers to an investigation of all reporting- and payment-obligated municipal tax items together for the relevant taxable period..
14. "Tax item investigation" refers to a tax investigation conducted solely on a specific tax item.
15. "Partial investigation" refers to a tax investigation limited solely to the necessary parts.

Article 3 (Relationship to Other Rules)

Except where otherwise provided in other rules, tax investigations shall be governed by these Rules.

Article 4 (Basic Principles of Tax Investigation)

An investigating official shall conduct tax investigations in good faith according to the following principles:
1. Principle of good faith: Tax investigations shall be executed diligently and in good faith, and no measures shall be taken that run counter to prior public announcements made to taxpayers.
2. Principle of documentary taxation: The power of tax investigation and imposition shall be exercised on the basis of objective evidence, such as corporate account books and relevant evidential data.
3. Principle of proportionate investigation: Tax investigations shall be conducted within the minimum scope necessary to achieve the purpose of the investigation.

Article 5 (Confidentiality Obligation)

An investigating official shall not provide or divulge to any other person or party data, etc. obtained in connection with a tax investigation, nor use such data, etc. beyond its specified purpose.

CHAPTER II TAX INVESTIGATION JURISDICTION

Article 6 (Tax Investigation Jurisdiction)

CHAPTER II TAX INVESTIGATION JURISDICTION(1) Tax investigations shall be conducted by the head of the Gu with jurisdiction over the place of municipal tax payment under Article 3 (1) of the Seoul Metropolitan Government Framework Ordinance on Municipal Taxes: Provided, however, that the Mayor may directly conduct tax investigations upon request from a head of a Gu or for cases falling under the subparagraphs of Article 3 (4) of the Seoul Metropolitan Government Framework Ordinance on Municipal Taxes.
(2) The Mayor or a head of an autonomous Gu may conduct joint investigations in connection with tax investigations under paragraph (1), if deemed necessary to enhance the efficiency of the investigation.

Article 7 (Cooperation with Tax Investigations)

(1) The Mayor or a head of an autonomous Gu may request cooperation from the head of a local government with jurisdiction over

an address (including the location of a head office or main office), business establishment, or customer in, where investigation of taxation data and on-site verification, etc. of such address, business, or customer is required.
(2) The Mayor or a head of an autonomous Gu may request support for matters pertaining to an investigation, such as mutual consultation on methods of investigation and support for investigative personnel.

CHAPTER III SELECTION OF INVESTIGATION SUBJECTS

Article 8 (Principles of Selecting Investigation Subjects)

CHAPTER III SELECTION OF INVESTIGATION SUBJECTS(1) The Mayor or a head of an autonomous Gu shall select investigation subjects by fair and objective criteria. Investigation subjects shall be selected within the minimum scope necessary to induce taxpayers to report and pay taxes in good faith, and to achieve the goal of fair taxation.
(2) An investigating official, when handling matters concerning the selection of an investigation subject, shall presume that the taxpayer acts in good faith and that the documents, etc. submitted by the taxpayer are truthful, unless there are special circumstances to believe otherwise.

Article 9 (Method of Selecting Investigation Subjects)

(1) Investigation subjects shall be selected by periodic or occasional selection.
(2) Investigation subjects shall be selected on a periodic basis after deliberation by the Seoul Municipal Government Local Taxation Deliberation Committee. In such a case, information such as the name of the corporation, name of the representative, and the business location shall not be indicated to prevent identification of the subject under deliberation.
(3) The cause of occasional selection shall be confirmed by objective procedures such as the collection of taxation data and on-site verification.
(4) The Mayor or the head of an autonomous Gu shall make efforts to maintain an appropriate ratio of investigations considering the level of good-faith reporting by business category, scale, etc., in selecting investigation subjects under paragraph (2).

Article 10 (Tax Investigation Reprieve)

(1) The Mayor or the head of an autonomous Gu may grant a tax investigation reprieve of up to three years from the day on which the cause occurs for any of the following taxpayers:
1. A person selected as a distinguished taxpayer under subparagraph 3 of Article 2 of the Seoul Metropolitan Government Ordinance on Support for Model Taxpayers, Etc.;
2. A small enterprise under subparagraph 2 of Article 2 of the Framework Act on Small and Medium Enterprises, or a microenterprise under subparagraph 1 of Article 2 of the Framework Act on Microenterprises;
3. An enterprise that has received the Mayor’s confirmation at or above a certain level regarding the creation of a working environment with a healthy work-life balance under subparagraph 3 of Article 2 of the Seoul Metropolitan Government Ordinance on Gender Equality in Employment and Support for Work-Life Balance;
4. A small or medium enterprise selected by the Minister of Employment and Labor as a Korea Job Creation Champion;
5. A small or medium enterprise certified by the Minister of Gender Equality and Family as a Family-Friendly Enterprise.
(2) Notwithstanding paragraph (1), no reprieve of a tax investigation shall be granted under any of the following circumstances, and if a taxpayer falling under the following is granted a reprieve, such reprieve shall be canceled:
1. Where a taxpayer falls under any of the subparagraphs of Article 82 (2) of the Act;
2. Where there is a need for an urgent tax investigation to secure tax receivables early, etc.;
3. Where a part of a transaction needs to be confirmed while investigating the other party to the transaction;
4. Where a taxpayer falling under any of the subparagraphs of paragraph (1) acquires real estate at a price of KRW 10 billion or higher per acquired object before the reprieve of a tax investigation and the exclusion period for imposition on the acquired real estate under Article 38 (1) of the Act expires during the reprieve periodunder Article 38 (1) of the Act expires during the period of reprieve: Provided, however, that the same shall not apply in cases where a tax investigation is conducted on the acquired real estate;
5. Where there are municipal tax arrears (including arrears on a trust property that the truster has entrusted to a trustee under the

Trust Act).

Article 11 (Prohibition of Redundant Investigations)

An investigating official may not re-investigate the same taxpayer for the same tax item in the same tax year; and, if a redundant investigation is confirmed after the start of a tax investigation, the investigation shall be immediately withdrawn: Provided, however, that the same shall not apply in situations falling under the subparagraphs of Article 80 (2) of the Act.

CHAPTER IV FORMULATION AND PREPARATION OF A TAX INVESTIGATION PLAN

Article 12 (Formulation of an Investigation Plan)

CHAPTER IV FORMULATION AND PREPARATION OF A TAX INVESTIGATION PLAN(1) The Mayor or the head of an autonomous Gu shall first formulate an investigation plan before conducting a general or special tax investigation of a specific taxpayer: Provided, however, that an urgent tax investigation may be conducted without having to formulate an investigation plan.
(2) An investigation plan under paragraph (1) shall include the following matters:
1. Purpose of the tax investigation;
2. Matters pertaining to the formation of an investigation team;
3. The investigation subject and the reasons for selection thereof;
4. Method of investigation;
5. Investigation period, period subject to investigation, and scope of investigation;
6. Other matters necessary in connection with the conduct of the investigation.
(3) An investigating official may conduct on-site verification for the purpose of formulating investigation plans, such as the selection of investigation subjects, determination of methods of investigation, and setting of the period and scope of the investigation.

Article 13 (Investigation Method)

(1) The Mayor or the head of an autonomous Gu shall decide between a direct or written investigation when formulating an investigation plan, taking into consideration the reasons for selecting the investigation subject, the type and scale of the business, its history of tax payments, its current state, taxation information, etc. as a whole.
(2) A written investigation shall be conducted where it is found that the purpose of a tax investigation may be achieved without a direct investigation, considering the taxpayer’s business environment, the characteristics of the business type or region, investigative efficiency or taxpayer convenience, etc.
(3) A direct investigation shall be conducted in cases other than those in paragraph (2): Provided, however, that methods of direct and written investigation may be used in parallel, if unavoidable, in order to ensure the efficiency of an investigation, etc.

Article 14 (Scope of Investigation)

(1) A tax investigation shall in principle be conducted as an integrated investigation.
(2) Notwithstanding paragraph (1), a tax item investigation may be conducted in cases falling under any of the subparagraphs of Article 84-3 (2) of the Act.
(3) Notwithstanding paragraphs (1) and (2), a partial investigation may be conducted with respect to any parts that fall under the subparagraphs of Article 84-3 (3).

Article 15 (Investigation Period)

(1) The Mayor or the head of an autonomous Gu shall set the minimum period necessary for a tax investigation up to 20 days, considering that the investigation subject, tax items, period, business type, scale, investigation difficulty, etc.: Provided, however,

that for any cause that falls under any of the subparagraphs of Article 84 (1) of the Act, the duration of a tax investigation may be extended to within 20 days from the date on which such cause is resolved.
(2) The period of a tax investigation shall be counted from the day on which it is initiated to the day it ends, and shall include any Saturdays and public holidays falling within that period.

Article 16 (Advance Notice of Tax Investigation)

(1) An investigating official shall give advance notice to the investigation subject of the matters determined in Article 83 (1) of the Act no later than 15 days before the start of a tax investigation.
(2) Notwithstanding paragraph (1), advance notice may be omitted if it is found that the goal of the tax investigation cannot be achieved due to the possible destruction of evidence, etc. if advance notice is given, and if any of the following applies. In such a case, a tax investigation notice under Article 83 (6) of the Act shall be delivered to the taxpayer:
1. Where there is a concern that books will be concealed or fabricated if advance notice is given;
2. Where there is a concern of collusion with the other party to a transaction or a third party if advance notice is given;
3. Where an urgent tax investigation is conducted to secure tax receivables;
4. Where it is found that achieving the purpose of the investigation is made infeasible by any cause equivalent to subparagraphs 1 to 3.
(3) Notwithstanding the latter part of paragraph (2), if the investigation subject refuses or avoids receipt of the tax investigation notice or closes the business, etc., the delivery of the tax investigation notice may be omitted.

Article 17 (Postponement of Tax Investigation, Etc.)

(1) If, in response to a notice under Article 16, an investigation subject applies for a postponement of tax investigation under Article 21 of the Seoul Metropolitan Government Ordinance on Taxpayer Protection, the investigating official may not initiate a tax investigation until the taxpayer’s advocate has made a decision on the application for postponement under Article 77 (2) of the Act.
(2) If the tax investigation postponement period ends or the cause of postponement is extinguished, the investigation chief shall, without delay, direct the investigating official to initiate the investigation.

CHAPTER V CONDUCT OF TAX INVESTIGATION

Article 18 (Delivery of Charter on Taxpayers’ Rights, Etc.)

CHAPTER V CONDUCT OF TAX INVESTIGATIONAn investigating official, upon initiating a tax investigation, shall deliver the Charter on Taxpayers’ Rights to the investigation subject, read it out aloud, and explain the relief procedures for breached rights, etc. under Article 76 (3): Provided, however, that this may be substituted in a written investigation by informing the investigation subject in writing of the purport of the Charter on Taxpayers’ Rights and the matters requiring explanation.

Article 19 (Preparation of Integrity Pledges and Reporting Private Interests)

(1) An investigation official, upon initiating a tax investigation, shall prepare an Integrity Pledge in attached Form 1 along with the investigation subject and the tax agent (referring to an attorney-at-law, certified tax accountant, or certified public accountant; hereinafter the same shall apply): Provided, however, that the preparation of the integrity pledge may be omitted in the case of written investigations.
(2) An investigating official who is, under Article 5 (1) of the Act on the Prevention of Conflicts of Interest Related to Duties of Public Servants, associated with the private interests of a person related to those duties, such as the investigation subject or a tax agent, shall report this fact to the Mayor or the head of the relevant autonomous Gu and apply for recusal.

Article 20 (Guarantee of the Right to Assistance)

(1) When a taxpayer is undergoing a tax investigation, an investigation officer may cause a tax agent to participate in the investigation or state an opinion; and in such event, the tax agent shall submit a Power of Attorney in attached Form 2.
(2) A tax agent who does not submit a Power of Attorney under paragraph (1) may not participate in the tax investigation process.
(3) If a tax agent exceeds the scope of assistance provided under paragraph (1) to interfere with or delay the investigation or gives a false statement, or where there is a need for the taxpayer to make a statement personally, etc., the investigating official may make a request for the taxpayer to directly state an opinion.

Article 21 (Protection of Taxpayer Rights and Interests)

Where a taxpayer's advocate requests a correction under Article 11 (2) Seoul Metropolitan Government Enforcement Rules on Taxpayer Protection to protect the taxpayer's rights during a tax investigation, the investigating officer shall immediately decide whether to accept such request; if the taxpayer's advocate's correction request lacks merit or there is a cause that renders such acceptance infeasible, the investigation chief shall notify the taxpayer's advocate of this opinion.

Article 22 (Conduct of Tax Investigations)

(1) An investigating official shall make efforts to conduct tax investigations after a reasonable determination of the place of investigation, the scope of the investigation of books, etc. to the minimum extent necessary to achieve the goals of the tax investigation.
(2) An investigating official shall, in the course of an investigation, question the investigation subject or a related party, or investigate the relevant books, in a prompt manner so as not to interfere with the business or economic activities of the investigation subject and/or related party.
(3) If necessary for the efficient conduct of a tax investigation and the reduction of the investigation period, an investigating official may accept submissions of copies of the account books, relevant documents, etc. for examination at the investigating agency with the advance consent of the investigation subject.

Article 23 (Place of Investigation)

A tax investigation shall be conducted at the investigation subject's main office, principal place of business, address, investigating department, etc.: Provided, however, that if the investigation subject's main office, main business, etc. are located outside the area with jurisdiction over the place for tax payment, the tax investigation may be conducted at an office, principal place of business, etc. within the area under jurisdiction.

Article 24 (Investigation Hours)

An investigating official who directly investigates an investigation subject shall do so within the investigation subject's business hours: Provided, however, that a tax investigation may be conducted outside the business hours at the request of the investigation subject or with the investigation subject's consent.

Article 25 (Compliance with the Scope of Investigation, Etc.)

(1) An investigating official shall comply with the predetermined scope and limits with regard to the period subject to investigation, tax items subject to investigation, investigation period, etc. in the conduct of a tax investigation.
(2) Notwithstanding paragraph (1), if the investigating official confirms, in the course of a tax investigation under Article 80-2 (1) of the Act, that suspicious tax evasion activities exist for several taxable periods or concern other taxable items, the scope of the investigation may be expanded with the approval of the investigation chief.
(3) When expanding the scope of an investigation under paragraph (2), the reason for the expansion of the scope of the investigation, etc. shall be specifically entered in attached Form 3 and the investigation subject shall be notified thereof.

Article 26 (Confirmation of Financial Transactions, Etc.)

(1) During or before the conduct of a tax investigation, an investigating official may confirm any of the following items of financial transaction information, etc. (hereinafter in this article referred to as “financial transaction information”), for the purpose of confirming suspicions of municipal tax evasion, etc.; In such a case, the scope and procedure prescribed in the governing laws shall be complied with.
1. Specified financial transaction information for the confirmation of municipal tax evasion under Article 10 (1) and (4) of the Act on the Reporting and Use of Specified Financial Transaction Information;
2. Information or data on the details of financial transactions for confirming clear evidence that would substantiate a suspicion of municipal tax evasion under Article 4 (1) 2 of the Act on Real Name Financial Transactions and Confidentiality.
(2) An investigating official who seeks to confirm the financial transaction information of an investigation subject or a related party (hereinafter in this paragraph referred to as an “investigation subject, etc.”) shall specify the scope and period, etc. of the investigation subject’s financial transaction that is subject to inquiry, and the bank account under inquiry, etc. in order to obtain the approval of the Mayor or the head of the relevant autonomous Gu. In such event, the period subject to inquiry shall be limited to the taxation period subject to investigation, but it may be extended to periods outside the taxation period subject to investigation if necessary in connection with the confirmation, etc. of suspected evasion within the taxation period subject to investigation.

Article 27 (Measures in Response to Violations of Orders, Etc.)

(1) If an investigation subject destroys or conceals books or avoids or delays compliance with orders for perusal or submission thereof, the investigating official shall take appropriate measures, such as extending the period of the investigation, investigating the offense, or imposing administrative fines under Article 108 of the Act, or disposition of notification under Article 121 of the Act.
(2) An investigating official shall refuse any attempt at improper solicitation or the provision or arrangement of money, goods, or entertainment by anyone in relation to a tax investigation, and shall take necessary measures under the Improper Solicitation and Graft Act or Seoul Metropolitan Government’s Code of Conduct for Public Officials.

CHAPTER VI CLOSURE OF TAX INVESTIGATION

Article 28 (Closure of a Tax Investigation)

CHAPTER VI CLOSURE OF TAX INVESTIGATION(1) An investigating official seeking to close a tax investigation shall summarize the investigation findings and report them to the Mayor or the head of the relevant autonomous Gu.
(2) The Mayor or the head of an autonomous Gu, on receiving a report on the closure of a tax investigation, shall examine the details and decide whether to close the investigation.
(3) Under Article 85 of the Act, an investigating official shall notify the investigation subject of the result of the tax investigation.

Article 29 (Notification of Tax Information; Development and Dissemination of Investigation Methods)

(1) In the event that tax information identified in the process of an investigation constitutes tax data concerning another local government or data concerning national taxes, the head of such local government or tax office shall be notified without delay.
(2) The Mayor shall manage cases of investigative methods and notify the heads of the relevant autonomous Gu thereof in order to develop and disseminate investigative methods.

Article 30 (Management of Tax Investigation Lists and Data)

(1) The heads of autonomous Gu shall prepare and manage the current state of corporations subject to tax investigations, history of investigations, business closures, etc.

(2) To prevent redundant tax investigations and ensure the efficient discharge of their duties, investigation officials shall enter the following information into the Seoul Metropolitan Government Comprehensive Tax System and manage the entries:
1. Investigation subject;
2. Tax investigation period, substance, amount of additionally collected tax, reason for additional collection, objections, etc.;
3. Other necessary work such as management of the ledger of investigation results by taxpayer, tax item, etc.
(3) To ensure the efficient management of tax investigation data, the Mayor shall maintain the Seoul Metropolitan Government Comprehensive Tax System in an optimized state.

CHAPTER VII SUPPLEMENTARY PROVISIONS

Article 31 (Rules of Conduct for Investigating Officials, Etc.)

CHAPTER VII SUPPLEMENTARY PROVISIONS(1) The Mayor shall issue one ID under Article 140 (2) of the Act to each investigating official, and shall immediately retrieve and destroy such identification in the event of any changes, such as the resignation or transfer of an investigating official.
(2) The Mayor may prepare regulations on investigations of official conduct to ensure the lawful and fair execution of tax investigations.

Addenda <No. 4684, Jan. 20, 2025>

Article 1 (Enforcement Date) These Rules shall enter into force on the date of their promulgation.

Article 2 (Applicability of Tax Investigation Reprieve) The amended provisions in Article 10 (1) 3 to 5 shall be applied only once, starting with cases confirmed, selected, and certified after the enforcement of these Rules: Provided, however, that they shall apply, starting in the following year, to enterprises selected as investigation subjects before such confirmation, selection, and certification.