Country Solution South Korea

IFSCLOUD25R2

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Note:

The capabilities listed below have been moved to generic functionality. These capabilities are no longer parameterized by Localization Control Center, they are general for any country.
The capabilities moved to generic functionality are:

- Special Consumption Tax
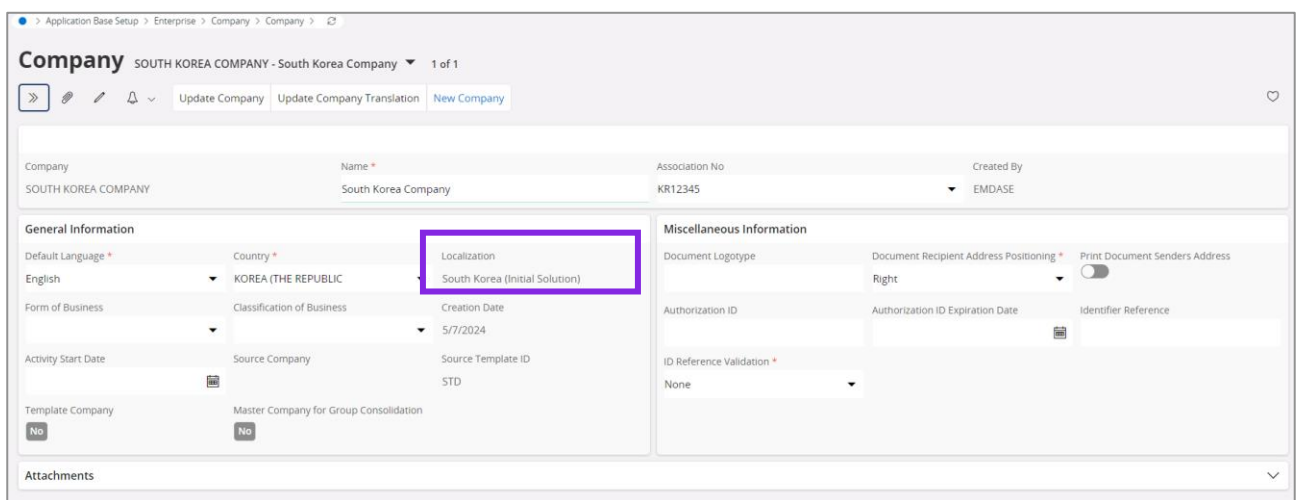- Customs Declaration Number in Tax Transactions

1 Company Set-up

1.1 Overview

To utilize the South Korean functionality, the company must be set up as using the **South Korean** localization. This is defined in the *General* tab on the *Company* page.

1.2 Define Localization

- Open the *Company* page.
- Search for the company.
- Select **South Korea** in the drop-down list in the **Localization** field and save. Note that this cannot be changed once transactions are created for the company.
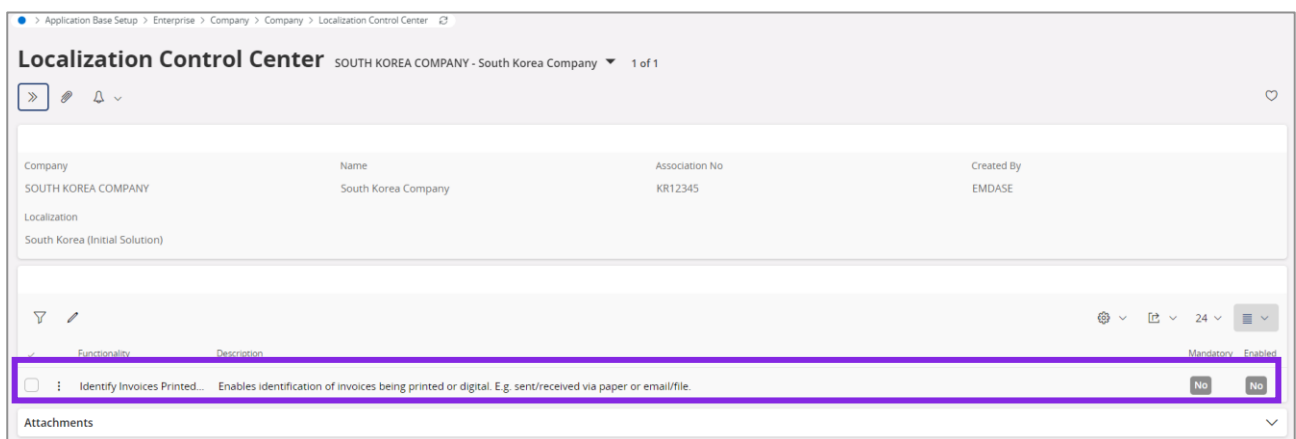

1.3 Select Localization functionality.

Specify which functionality to use.
- Open the *Localization Control Center* tab.
- The localization selected in the previous step is displayed in the **Localization** field and cannot be changed.
- All functionality available for South Korea is presented in the list. Enable/Disable the functionality based on the requirements of the company by selecting the Enable check box. Note that some functionality is mandatory and cannot be disabled.

2 Identify Invoices Printed or Digital

2.1 Overview Legal Requirement

When reporting tax in South Korea, the tax information must indicate if an invoice is printed or digital. Paper invoices refer to invoices printed on paper. Digital invoices are invoices sent/received to/from customers electronically. For this, services from a third-party company are involved (e.g., Smart Bill).

2.2 Process Overview

2.3 Solution Overview

Customer and supplier invoices are categorized as either digital invoices or not. It's defined on the customer and supplier level whether the customer or supplier is sending digital invoices or not. The value is fetched when creating customer or supplier invoices and the information is transferred to tax transactions.
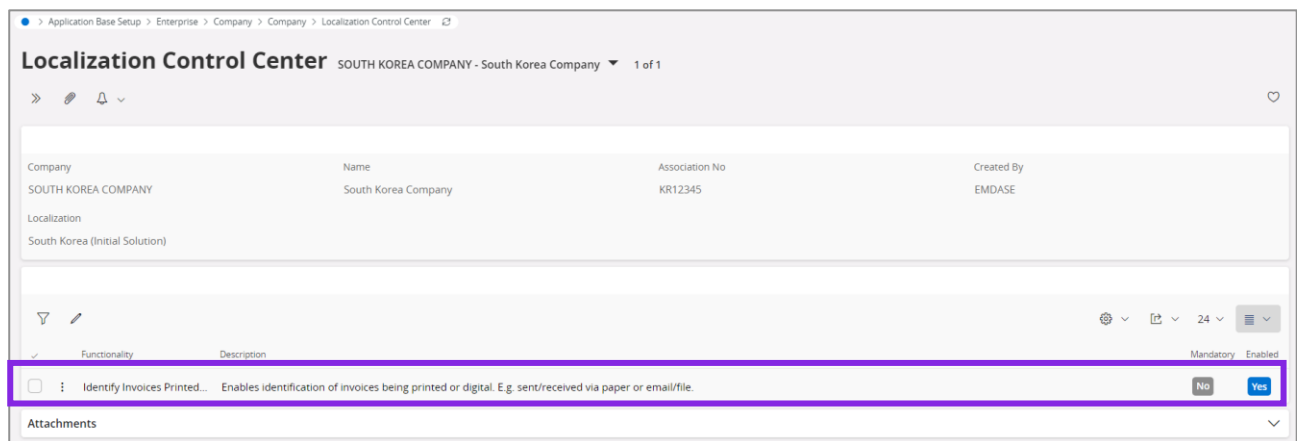
2.4 Prerequisites

The company must be set up to use South Korean localization, see the Company Set-up chapter.

2.5 Enable Localization Control Center Parameter

To enable this new functionality, navigate to the **Company/Localization Control Center** and enable the functionality, **Identify Invoices Printed or Digital**.
Please note that this is an optional localization parameter, and the user needs to enable it manually.

2.6 Set up Supplier to identify if Digital Invoices are used.

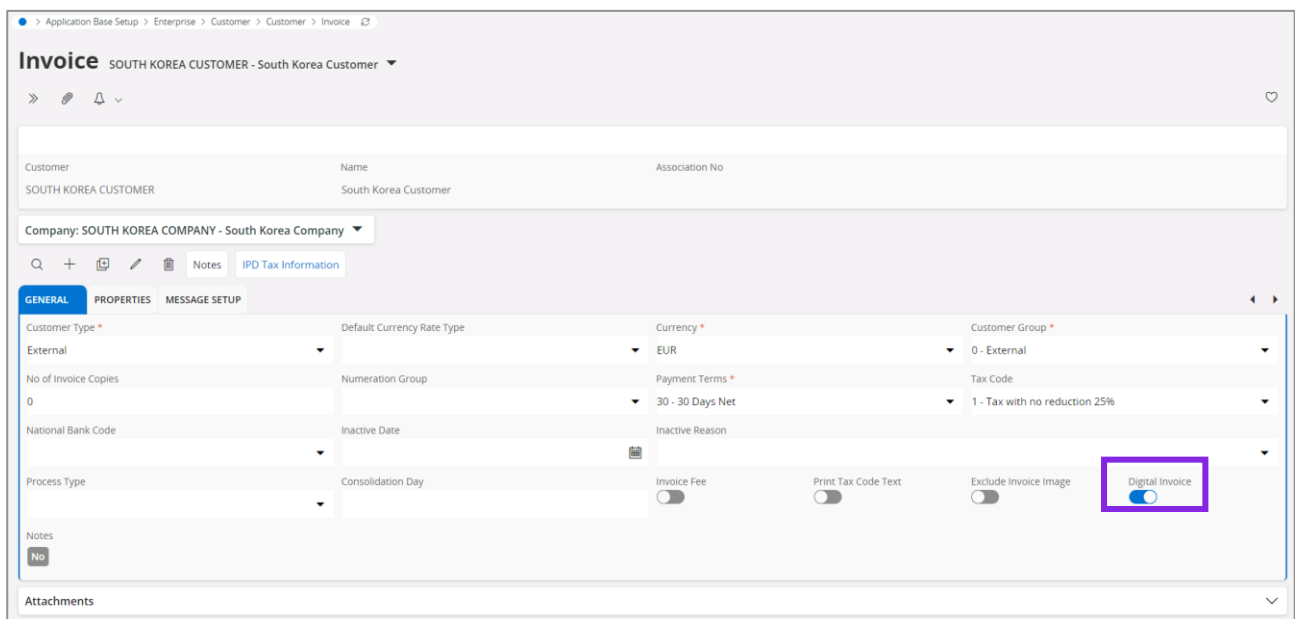A new toggle, **Digital Invoice**, is added to the *Supplier/Invoice/General* tab.

Enable the toggle if the supplier is sending digital invoices. The value will be fetched when creating supplier invoices and will be later referred to in *Tax Transactions*.

2.7 Set up Customer to identify if Digital Invoices are used

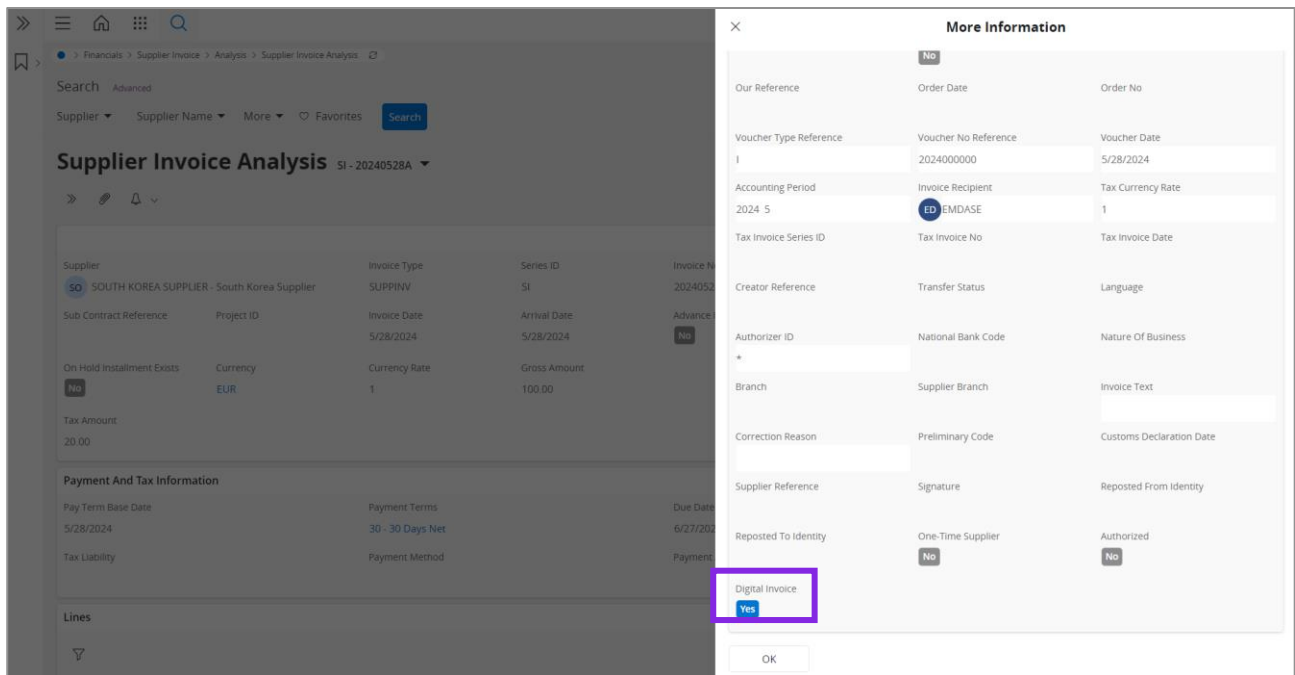A new toggle, **Digital Invoice**, is added to the *Customer/Invoice/General* tab.

Enable the toggle if the customer is sending digital invoices. The value will be fetched when creating customer invoices and will be later referred to in *Tax Transactions*.

2.8 View Supplier Invoice Analysis page

An indicator, **Digital Invoice**, is added to the *Supplier Invoice Analysis* page. It displays the value from the supplier at the time the invoice was created and cannot be edited.
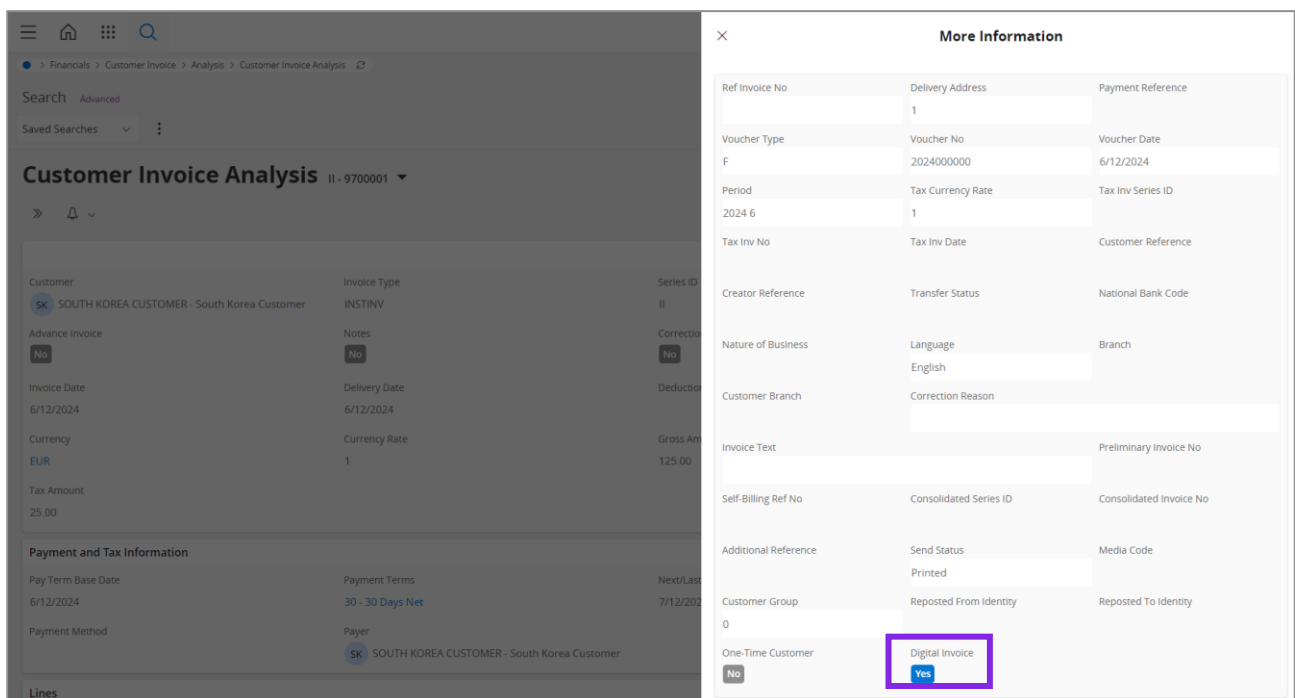

2.9 View Customer Invoice Analysis page

An indicator, **Digital Invoice**, is added to the *Customer Invoice Analysis* page. It displays the value from the customer at the time the invoice was created and cannot be edited.

2.10 Tax Transactions

An indicator, **Digital Invoice**, is added to the *Tax Transactions* page. It displays the value from the supplier invoice/customer invoice and cannot be edited. The Digital Invoice column is updated when *Update GL Vouchers* and *Fetch Tax Ledger Information* has been run.
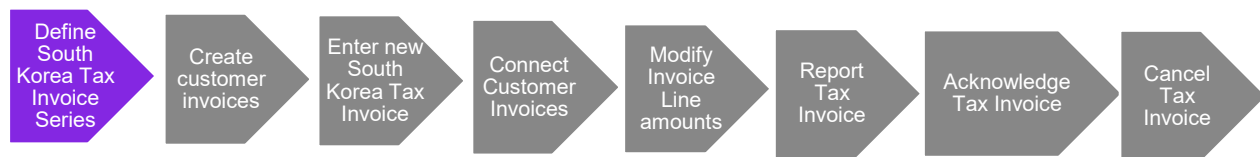

2.11 Delimitations

No known.

3 Tax Invoices

3.1 Overview Legal Requirement

It requires South Korea Companies to create a Tax Invoice which covers one or more commercial invoices (normal IFS invoices) and send the Tax invoice to third party tax agency. It should ensure that the Tax Invoice matches commercial invoice amounts without rounding differences.

3.2 Process Overview

Define South Korea Tax Invoice Series → Create customer invoices → Enter new South Korea Tax Invoice → Connect Customer Invoices → Modify Invoice Line amounts → Report Tax Invoice → Acknowledge Tax Invoice → Cancel Tax Invoice

3.3 Solution Overview

Customer Invoices in PostedAuth, PartlyPaidPosted and PaidPosted status to be considered in creating a South Korea Tax Invoice. As part of the generic core solution South Korea Tax Invoice has been handled by Introducing South Korea Tax Invoice Series, South Korea Tax Invoice and South Korea Tax Invoices pages. The Tax Invoice can be created only in the Company's Accounting Currency, and it is possible to add invoices created in foreign currencies.
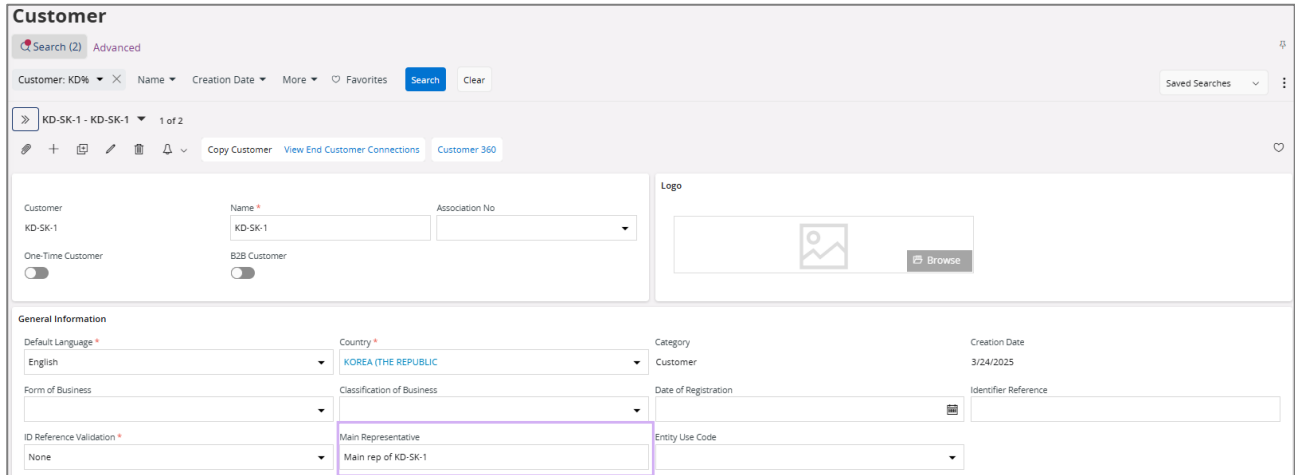
3.4 Prerequisites

The company must be set up based on generic solution and requires an invoice series in South Korea Tax Invoice Series page.

3.5 Enable Localization Control Center Parameter

Not Controlled by any Localization Parameter and solution for South Korea Tax Invoice is part of the generic core solution.

3.6 Basic data for Customer

A new field has been introduced in Customer/ general tab to define the customer's main representative. Based on South Korea requirements it is needed to define a value in this field to indicate the Customer's company representative.
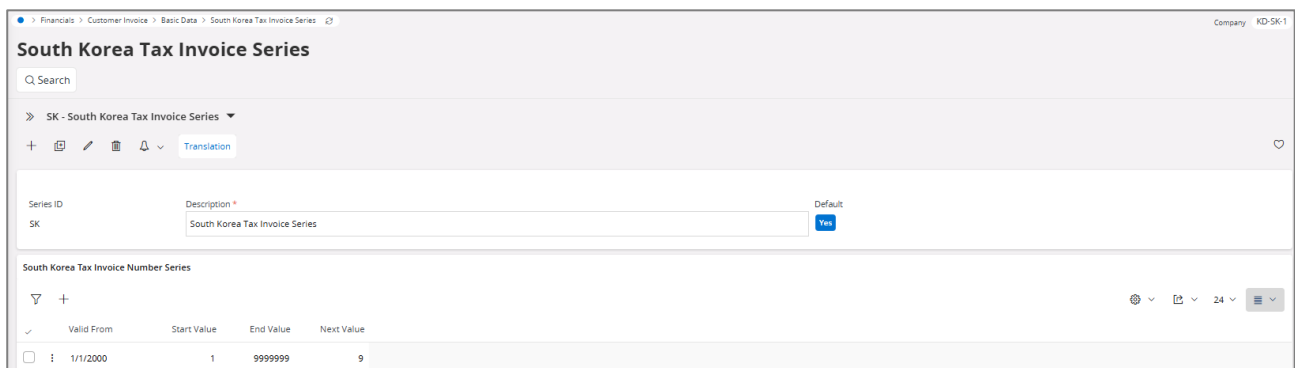
3.7 Set up South Korea Tax Invoice Series

The company needs to have a tax invoice series in South Korea Tax Invoice Series Page.

It requires to define a South Korea Tax Invoice series with no number series to be used when creating tax invoices that are already reported by the customer.

3.8 Create South Korea Tax Invoice

Through the South Korea Tax Invoice page user can create a Tax Invoice. The tax invoice can be created only in company's accounting currency and all amounts shown within the Tax Invoice solution will only be in the company's accounting currency. Accounting currency values will be based on the invoice accounting currency values.

Through the 'Select Invoice' command in Invoice Details it is possible to select customer invoices that are in PostedAuth, PartlyPaidPosted and PaidPosted statuses and invoices that are in currencies other than accounting currency. All invoice types for manual customer invoice, Instant Invoice, Customer Order Invoice and Project Invoice will be available.

If required, the selected Invoice's line amounts can be modified based on the portion of the invoice/ invoice line to be reported to the Tax Invoice by adjusting the net amount. If a line should not be included the net amount needs to be modified to 0. Any balance of the selected invoice or the invoice line will be available for the next tax Invoice/s. Therefore, it will be able to add a single invoice or invoice line to one or several Tax Invoices.

Following 2 main Tax Invoice creation methods are available.

01: Manual flow with Customer Reported OFF
It requires a Series ID with a number series defined and a validation raised if no automatic number series defined for the used series ID. When the tax invoice is reported a CSV file created.

02: Manual flow with Customer Reported ON
It requires to manually enable the toggle 'Customer Reported". It requires a Series ID without a number series defined and a validation raised if an automatic number series is defined for the used series ID. When the tax invoice is reported a CSV file will not be created.

The created Tax Invoice needs to be acknowledged prior to Reporting. Reported state Tax Invoices can be canceled, and the amounts included in the Tax invoice will be available for the next Tax invoices/s created. If a Tax invoice is included in a Quarterly Tax Report (Quarterly Tax Report toggle on) then it will not be allowed to cancel the tax invoice.

Customer Invoices included in a tax invoice will not be allowed to cancel.

3.9   Creating a CSV file when Reporting a South Korea Tax Invocie

Based on whether the Tax invoice is already reported by the customer or not the user should enable/ disable the 'Customer Reported' toggle. The created Tax Invoice can be acknowledged and reported. Upon reporting CSV file will be available as download in browser if 'Customer Reported' is disabled. A CSV file will not be downloaded if 'Customer Reported' is enabled for the tax invoice.
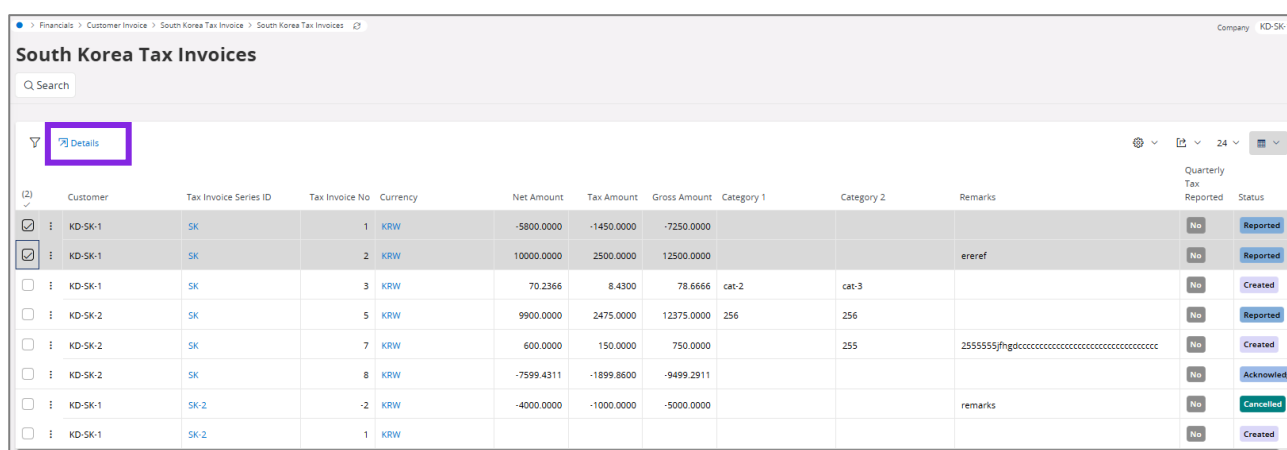
The CSV file will be created based on the External file template (EXTKRTAXINV) and external file type (KrTaxInv) introduced for South Korea Tax Invoice.

The standard External file template introduced will have only the columns which will retrieve data from core fields. Based on user requirement it is possible to create a customized template including the columns available in the external file type.

If user requires a customized External template for Tax Invoice to be considered when creating the CSV file, it requires to define the customized external file template in Default External File Templates for file type KrTaxInv. If no default external file template is defined for Tax Invoice (file type KrTaxInv), it will consider the standard file template EXTKRTAXINV.

3.10 View Created South Korea Tax Invoices

A list of tax invoices created through the South Korea Tax Invoice page can be viewed through the South Korea Tax Invoices page. It is not possible to do any modifications to the tax invoice through this page. By selecting one or several tax invoices user can navigate to the South Korea Tax Invoice page by clicking 'Details'.

3.11 Delimitations

Following will not be considered within the South Korea Tax Invoice Solution
1. Withholding Tax will not be considered
2. Multiple tax invoice lines not considered
3. Outgoing supplier invoices
4. Interest Invoices
5. Difference Item Invoices

Additional delimitations may apply; all relevant flows should be tested to ensure completeness.

4 Quarterly Tax report

4.1 Overview

It is a legal requirement in South Korea to report tax Quarterly adhering to the Tax legislation.
The suppliers and customers are categorized through 2 different categories, Individual/ Corporate and Digital/ Non digital.
The customer transactions in the Quarterly Tax Report consist of Tax invoices created through the specific Tax invoice logic, see Chapter 3 – Tax Invoices for more information.
The Quarterly Tax report consists of five sections,

1. Head Record
   General information about the Company

2. Data Record for Purchase (Non-Electronic invoices)
   All the transactions of "Non-Digital" Suppliers, they will be presented one row per supplier.

3. Total Data Record for purchase (Non-electronic invoices)
   A summary of the transactions and amounts of the "Non-Digital" Suppliers.

4. Total Data Record for sales (Electronic invoices)
   A summary of the amounts and transactions of the "Digital" Customers.

5. Total Data Record for purchase (Electronic invoices)
   A summary of the transactions and amounts of the "Digital" Suppliers.

4.2 Process overview

Define basic data → Create Tax Proposal → View Tax Proposal Details → Acknowledge Tax Proposal → Print Definitive report → Output file created

4.3 Prerequisites

The following prerequisites should be met to generate a Quarterly Tax Report.
- Customers must have the **Digital** toggle checked to be part of the Quarterly Tax report.
- The digital toggle needs to be considered for suppliers and updated accordingly.
- Customer and Suppliers need to be updated accordingly with **Classification of Business**.
- Suppliers need to be updated accordingly with **Form of Business**.
- Suppliers need to be updated accordingly with **Business Category**.
- Taxable transactions must be updated to the general ledger and to the tax ledger.
- Tax invoices need to be in status "**Reported**" to be considered for the Quarterly Tax report.
- The report is only supported to use reporting currency = accounting currency.

4.4 Enable Localization Control Center Parameter

The Company must be set up to use the South Korea localizations, see Company Set up Chapter. *Identify Invoices Printed or Digital* and *The South Korea Quarterly Tax report* parameters must be enabled on the *Company/Localization Control Center* tab.

The parameters *Identify Invoices Printed or Digital* and *South Korea Quarterly Tax report* need to be enabled. This is done on Company – Localization Control Center
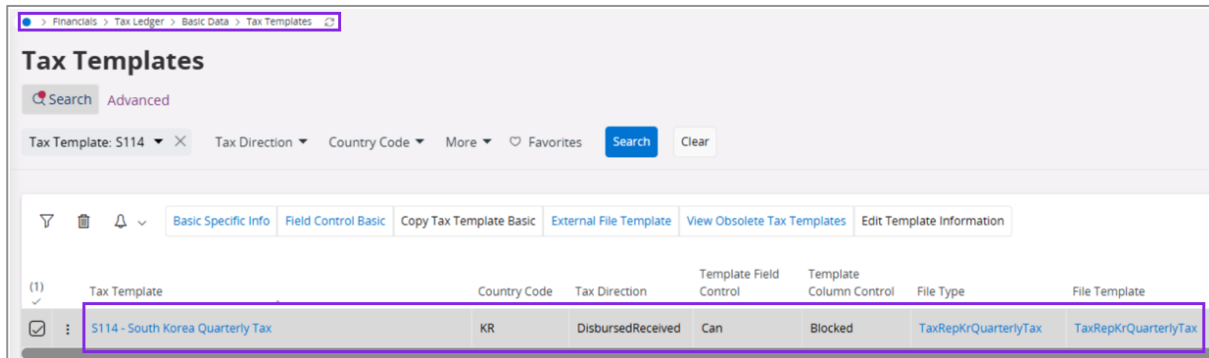
4.5 Define basic data – Tax Ledger

Define Tax template

A new tax template S114 has been created to support the Quarterly Tax report.

A Copy of the Tax template need to be created to be able to add a user defined external file template. This is done by selecting the tax template S114 and click command button **Copy Tax Template Basic.**

<u>External file type and External file template</u>

A new External File Type TaxRepKrQuarterlyTax and a new External file template TaxRepKrQuarterlyTax have been created.
A copy of the external file template needs to be created. After creation of the new tax template the user can define the below fields in the copied external file template.

- Company Name of presenter – Name of the Company
- Name of Presenter – Name of CEO of the Company
- Business Type of Presenter – Business Type of the Company
- Business Category of Presenter – Business Category of the Company
- Serial Number of Book – Serial Number of Book of Suppliers

4.6 Define Basic Data – Company

The Tax ID Number needs to be added on the Company to be shown in the output file. This is done by updating the field Tax ID Number on the *Company/Tax Control/Invoice* tab.

The address needs to be updated on the Company to be included in the Output file. It is field Address1 that is included in the file, located in *Company/Address/General Address Information*.

4.7 Define Basic Data – Supplier and Customer

Digital/non digital customer and supplier

Customers and suppliers must be classified as either Digital or Non-Digital, which is handled via a toggle available on the respective customer or supplier. For detailed information on digital versus non-digital, please refer to the chapter 2 "Identify Invoices Printed or Digital".
Note: The customers with toggle set to "non-digital" will not be included in the Quarterly Tax report.

Individual/Corporate Customer and Supplier

According to the South Korea Tax Reporting requirements, Customers and suppliers must be classified as either **Individual** or **Corporate**. This is achieved by updating the standard field "**Classification of Business**" located on the *General* tab of the Customer or Supplier.

Within this solution:
Individual is represented by the value 1
Corporate is represented by the value 2

Note: Only customers and suppliers classified as 1 (Individual) or 2 (Corporate) will be included in the Quarterly Tax Report.

Classification of Business on Supplier General page.

Classification of Business on Customer General page

Business Category for supplier

In alignment with South Korea Tax Reporting requirements, suppliers must be assigned a **Business Category**, which specifies the sub-industry in which the supplier operates.

To support this requirement, a new field titled "**Business Category**" has been introduced. This field is specific to the LCC parameter and becomes visible only when the parameter "**South Korea Quarterly Tax Report**" is enabled.

The Business Category field is located on the Supplier / Payment tab.

Business Type for supplier

Suppliers must be assigned a **Business Type**, which identifies the industry in which the supplier operates.

This is managed by updating the standard field "**Form of Business**", located on the *General* tab of the Supplier.
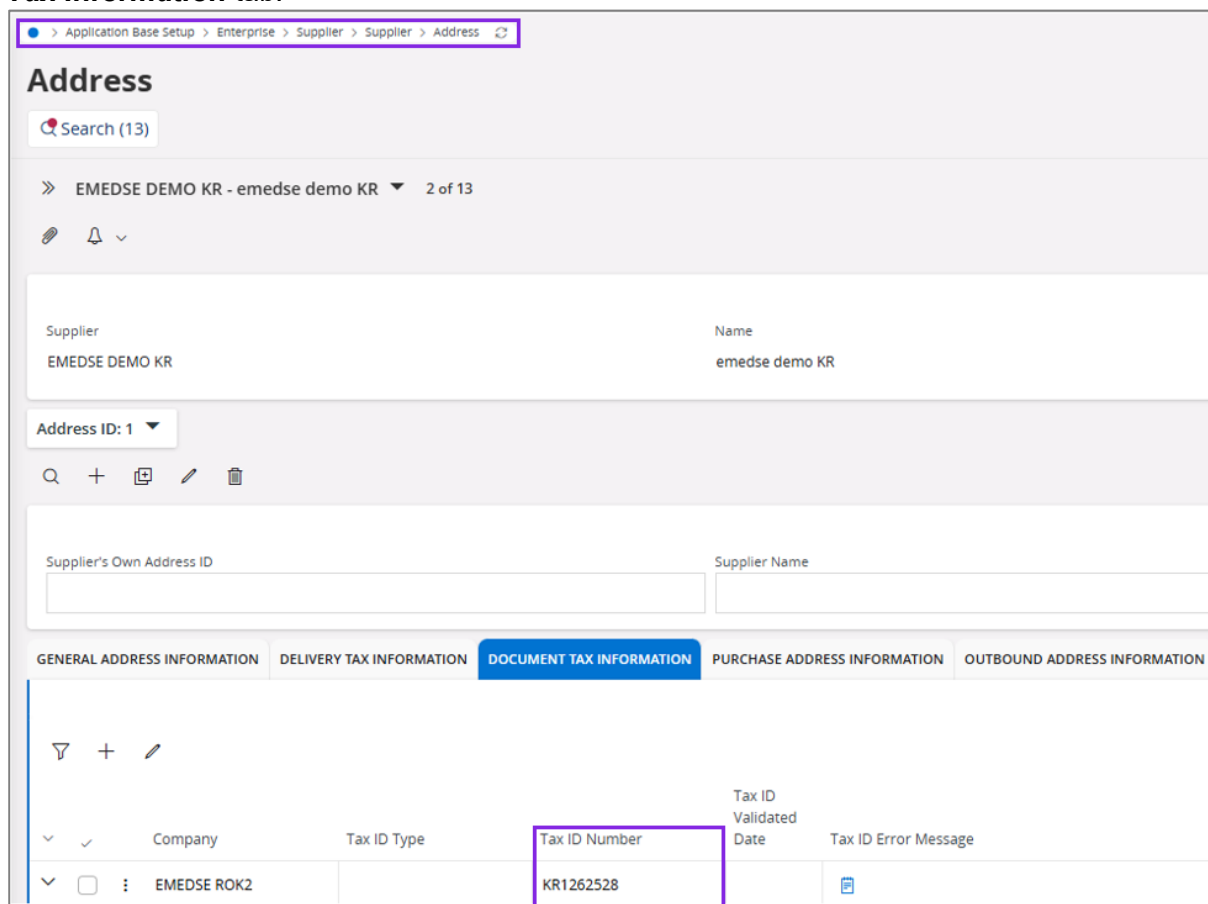
Tax ID number

To ensure the Tax ID Number is included in the output file, it must be entered for each supplier. This is done by updating the "**Tax ID Number**" field located on the *Supplier/Address/Document Tax Information* tab.

4.8 Define Tax report

To create a new Quarterly Tax Report, navigate to: *Financials/Tax Ledger/Tax Report* and click **New**.

Follow the steps below, in line with IFS standard functionality:

- Enter the Report No and Description as appropriate.
- Select the Template ID as KR114.
- Set Report Currency Base to Account Currency.
- Choose Correction Type as Replacement Report.
- All other fields are optional.

Note: The output format for the Quarterly Tax Report is .txt.

<u>File extension</u>

The Quarterly Tax Report must be generated with a specific file extension.To enable this, the required file extension must first be added to the *System Parameters* under Extensions.

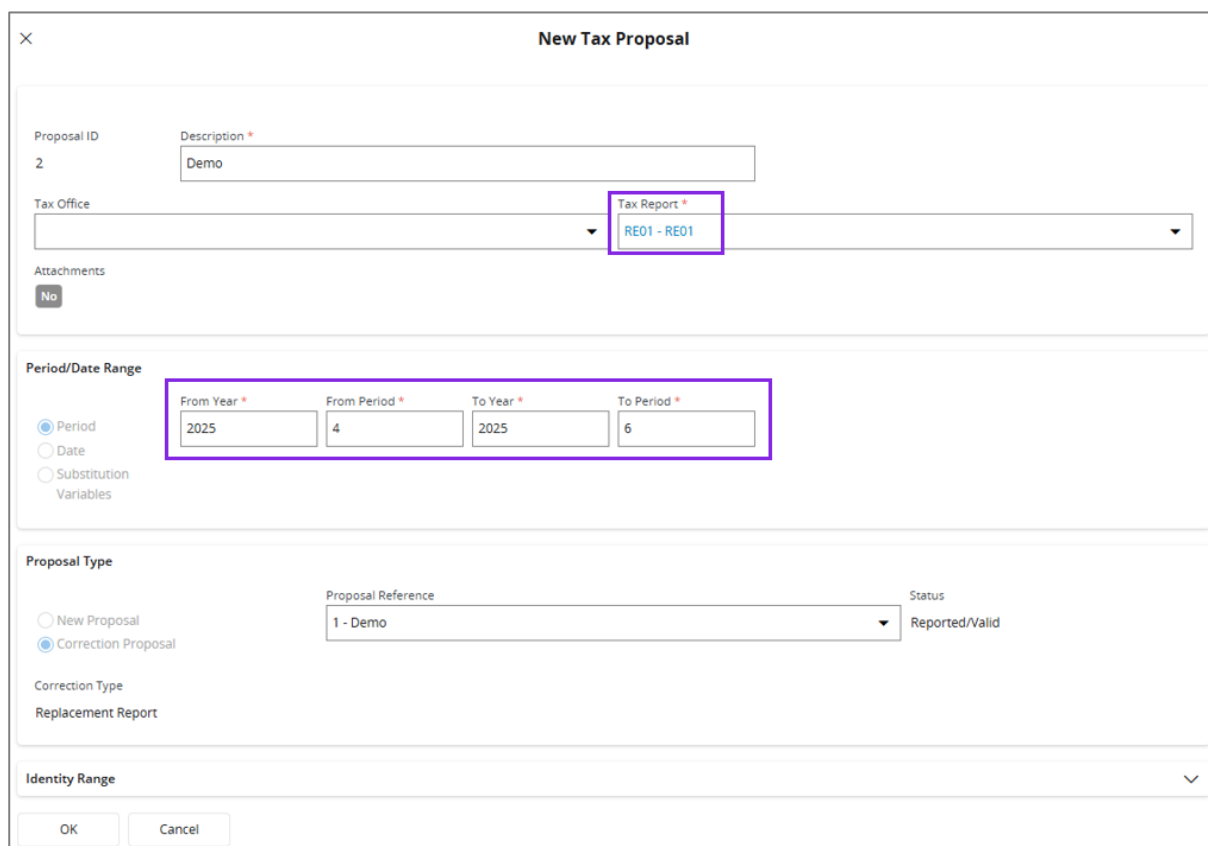click **Edit**, add the extension, and **Save** the changes.

4.9 Generate Tax report
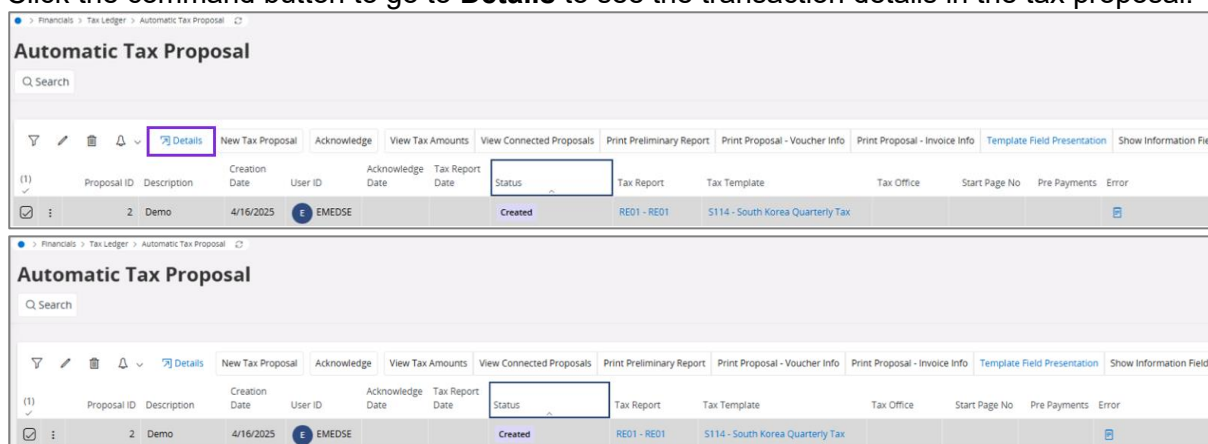
Automatic Tax Proposal

Navigate to **Financials/Tax Ledger/Automatic Tax Proposal** to generate the South Korea Quarterly Tax Report from the defined **Tax Report**.
Click **New Tax Proposal** on the **Automatic Tax proposal** page and select the report defined for South Korea Quarterly Tax report. Next, select the **Period/Date Range** for the tax proposal. Click **OK** to create the proposal.
This is as per the IFS Standard functionality.

Click the command button to go to **Details** to see the transaction details in the tax proposal.

Upon navigating to the Tax Proposal Details, supplier transactions are displayed in the list and can be viewed/modified as per standard functionality. Additionally, a new command, **View Tax Invoices**, has been implemented.

Executing the new command opens an assistant that displays tax invoices with **Reported** status, where the Tax Invoice Date falls within the same periods as the Tax Proposal.

It is possible to select and delete tax invoices from the Tax Proposal if they should not be included. Deleting a tax invoice removes it only from the specific proposal. If the proposal is deleted and a new proposal is created within the same period, all transactions (supplier invoices and tax invoices) will be included in the new proposal. This also applies when a proposal is in **Reported** status, and a new proposal for the same period is generated—again, all relevant transactions will be fetched into the new proposal.

User may verify the transactions and return to the *Automatic Tax Proposal* page and execute the **Acknowledge** command. This will change the Tax Proposal status to *Acknowledged*, as per IFS Standard functionality.

Next, click the **Print Definitive Report** button to generate the report. Users must manually enter the **Prefix** and tab out; the system will then automatically add the company **Tax ID number** and insert a dot before the last three digits.

The report is created In .txt format.

4.10 Delimitations

- Customers marked as non-digital will not be included in the Quarterly Tax Report.

- The serial number of books for suppliers must be the same for all suppliers.

- Only the Accounting currency is supported; User-defined and Parallel currencies are not supported.

- For Customer transactions, only Tax invoices are included in the report; other customer transactions are not considered.

- Tax invoices are not fetched through tax transactions, so tax invoice amounts will not be accounted for in the following commands:

  - View Tax Amounts
  - Print Proposal – Voucher Info
  - Print Proposal – Invoice Info
  - Template field presentation

Additional delimitations may apply; all relevant flows should be tested to ensure completeness.