

Exchange of Notes at Seoul March 27, 1985
Entered into force March 27, 1985

**Arrangement relating to the Convention between the Republic of Korea and Japan for the
Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on
Income**

The Minister of Foreign Affairs to the Ambassador of Japan

Seoul, March 27, 1985

Excellency,

I have the honour to refer to the Convention between the Republic of Korea and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income signed at Tokyo on March 3, 1970 (hereinafter referred to as "the Convention") and to the Exchange of Notes of the same date between the two Governments concerning paragraph (3) (b) of Article 18 of the Convention (hereinafter referred to as "the Exchange of Notes"). In view of the fact that the Foreign Capital Inducement Law, Law NO. 3691, 1983, of the Republic of Korea (hereinafter referred to as "the Foreign Capital Inducement Law of 1983") has been enforced and has replaced the Foreign Capital Inducement Law, Law No. 1802, 1966, of the Republic of Korea (hereinafter referred to as "the Foreign Capital Inducement Law of 1966"), I have further the honour to propose on behalf of the Government of the Republic of Korea the following arrangement:

1. The measures set forth in the following Article and paragraphs of the Foreign Capital Inducement Law of 1983 are "the special incentive measures designed to promote economic development in Korea" referred to in paragraph (3) (b) of Article 18 of the Convention:

- (i) Paragraphs 2 (1) and 3 of Article 14 relating to exemption from income tax or corporation tax on the income of a foreign invested enterprise or foreign investor;
- (ii) Paragraph 1 of Article 16 relating to exemption from income tax or corporation tax in case where a foreign invested enterprise increases its capital;
- (iii) Paragraph 1 of Article 21 relating to exemption from income tax or corporation tax on the income derived from a loan contract;
- (iv) Paragraph 1 of Article 24 relating to exemption from income tax or corporation tax on the income derived from a technological inducement contract; and
- (v) Article 4 of Addenda (only to the extent that the provisions contained therein are relevant to exemption from or reduction of income tax or corporation tax under the Foreign Capital Inducement Law of 1966) relating to the transitional measures concerning exemption from or reduction of income tax or corporation tax granted in accordance with the relevant provisions of the Foreign Capital Inducement Law of 1966.

2. The present arrangement shall be effective in respect of such income tax or corporation tax as has been or may be exempted or reduced under the Foreign Capital Inducement Law of 1983.

3. The arrangement effected by the Exchange of Notes shall terminate on the date of entry into force of the present arrangement.

If this proposal is acceptable to the Government of Japan, this Note and Your Excellency ' s Note in reply confirming the acceptance by the Government of Japan of the above proposal shall be regarded as constituting an agreement between the two Governments which will enter into force on the date of Your Excellency ' s reply.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.

The Ambassador of Japan to the Minister of Foreign Affairs

Seoul, March 27, 1985

Excellency,

I have the honour to acknowledge the receipt of Your Excellency ' s Note of today ' s date, which reads as follows:

‘ Korean Proposing Note ‘

I have further the honour to Confirm on behalf of the Government of Japan the foregoing arrangement and to agree that Your Excellency ' s Note and this Note shall be regarded as constituting an agreement between the two Governments, which will enter into force on the date of this reply.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.