



November 2025

NEWSLETTER

Tax Group

CONTACT



Senior Foreign Attorney
Tom KWON

T: +82.2.6386.6627
E: tom.kwon@leeko.com



Partner
Jung Ho RYU

T: +82.2.2191.3208
E: jungcho.ryu@leeko.com



Senior Foreign Attorney
Steve Minhoo KIM

T: +82.2.6386.6271
E: steve.kim@leeko.com



Senior CPA & Certified
Tax Accountant (Korea)
Taehwan KIM

T: +82.2.6386.0863
E: taehwan.kim@leeko.com



Associate
Songho BAE

T: +82.2.6386.1926
E: songho.bae@leeko.com



Foreign Attorney
Kyu Bin (K) KANG

T: +82.2.6386.6316
E: kyubin.kang@leeko.com

Korea's New Tax Audit Paradigm: AI, Efficiency, and Heightened Enforcement

Korea plans major investments and reforms to deploy AI throughout its tax administration system, improving audit efficiency while simultaneously bolstering delinquency controls and elevating the intensity of compliance enforcement.

On November 3, the newly appointed National Tax Service (NTS) Commissioner, Mr. Kwang-Hyun Lim, held his first nationwide meeting with regional tax office heads and announced the new Operational Plan for National Tax Administration (**New Plan**).

At the heart of the New Plan lies two pillars: (1) a fundamental overhaul of tax audit procedures aimed at substantially reducing on-site investigations, and (2) the AI-driven Transformation of Tax Administration intended to modernize and streamline taxpayer services. Taken together, we believe these initiatives mark a decisive shift in Korea's tax administration paradigm: from procedure-heavy, manual practices toward a data-centric and AI-enabled administrative model.

This newsletter outlines how the NTS's latest policy initiatives may affect the audit environment for taxpayers, particularly foreign-invested companies in Korea.

1. Recent Developments in the NTS

1) Appointment of a Politically Experienced Commissioner

In a rare and politically significant move, President Jae Myung Lee's Administration has appointed sitting National Assembly member Kwang-Hyun Lim as the new Commissioner of the NTS. Commissioner Lim previously served as Commissioner of the

Seoul Regional Tax Office and Deputy Commissioner of the NTS, giving him the unusual combination of deep administrative experience and direct legislative exposure through his work on the National Assembly's Strategy and Finance Committee. The appointment of a lawmaker to head the NTS is unprecedented and signals the administration's intent to drive strong policy momentum under the new Commissioner.

2) Major Personnel Overhaul and Consolidation of Leadership

Within a month of taking office, Commissioner Lim replaced approximately 70% of managerial posts within the Investigation Bureau, one of the NTS's core departments. This sweeping reorganization effectively brought an end to the leadership vacuum that had persisted during the pre-appointment transition following the snap presidential election in June 2025, and firmly reestablished the Commissioner's authority over the NTS's core investigative functions.

2. Key Policy Initiatives of the New Commissioner

1) Background

Korea has long been recognized in Asia for its manual labor-intensive and time-consuming tax audit practices. A persistent challenge has been the tug-of-war between the NTS, which seeks to obtain as much information as possible, and taxpayers, who often push back against requests for documents that they believe fall outside the audit's legitimate scope or are irrelevant. The new Commissioner's initiative is aimed squarely at addressing these entrenched inefficiencies and modernizing the country's audit framework.

2) Declaration of 'AI-driven Transformation of Tax Administration'

The NTS announced that the centerpiece of its reform agenda is a full-scale AI transformation. The government intends to streamline and modernize audit procedures by deploying AI tools designed to improve both efficiency and accuracy. Specifically, AI will be utilized to provide tax expert-level guidance to taxpayers and to shift tax-evasion detection and delinquency management from a manual-driven process to an AI-driven system.

The plan aims to enhance the existing AI-based Integrated Audit Analysis System (analytics), enabling the NTS to identify

high-risk and high-recovery audit targets with significantly greater precision. According to the NTS's published roadmap, the agency will initiate its Information Strategy Plan (ISP) in 2025, secure GPUs and adopt generative-AI models, and fully deploy its AI-driven administrative services by 2028.

3) Reduction of On-Site Audits

Complementing its AI transformation agenda, the NTS has announced a significant reduction in on-site audits, which have long been criticized for placing excessive burdens on taxpayers. Under the new policy:

- **Regular tax audits will primarily be conducted at NTS offices**, rather than at taxpayers' business premises; and
- **On-site visits will be permitted only in limited cases**, such as when (i) taxpayers themselves prefer an on-site approach for confidentiality or convenience, or (ii) when audit progress is hindered by non-submission or delayed submission of documents.

Commissioner Lim has underscored that the NTS intends to curtail the burdensome and expensive practice of prolonged on-site investigations that disrupt normal business activities, signaling a decisive shift toward a more streamlined and taxpayer-oriented audit framework.

3. Expected Changes in the Audit Environment

1) Intent to Improve Audit Efficiency

The new Commissioner's policy signals a clear commitment to modernizing Korea's traditionally burdensome audit practices. However, the degree to which these reforms will take hold remains to be seen, as meaningful change in a large administrative bureaucracy often proves difficult to implement in practice in Korea.

2) Compliance Risks for Foreign-Invested Companies

The shift toward AI-based audits should not be interpreted as signaling a more lenient environment for foreign-invested or foreign-owned companies. To the contrary, delays or failure to provide data necessary for AI-driven analysis may expose taxpayers to the newly introduced Enforcement Penalty, underscoring that the shift is toward greater procedural rigor rather than reduced scrutiny.

Previously, refusal to submit data was subject to a one-time fine of up to KRW 50 million. Under the new framework, penalties may now (i) be imposed on a recurring basis until the required information is submitted and (ii) be scaled according to the taxpayer's revenue size. These changes present heightened compliance risk during the course of tax audit, particularly for multinational companies with complex overseas documentation, underscoring the importance of strategic coordination and effective representation by professional advisors.

3) AI-Based Risk Identification

AI-driven audits are expected to leverage prior audit cases to pre-identify potential risk areas for each taxpayer. While this approach enables the NTS to conduct audits that are more targeted and analytically precise, it also increases the likelihood that issues previously overlooked due to time or resource constraints will now come under scrutiny. Taxpayers should therefore anticipate a broader and more penetrating scope of review and prepare for significantly expanded documentation obligations.

4) Shift from Negotiated Settlements to Legalistic Enforcement

As AI reduces subjective discretion among individual auditors, case outcomes are expected to rely more heavily on legal regulations and administrative authorities, including advance rulings, precedents, and court cases. Over time, Korea's audit practice may shift toward greater data-driven objectivity and heightened legal consistency, reducing the scope for negotiated or discretionary settlements.

Lee & Ko's Tax Group has extensive experience and market-leading expertise in handling complex tax audits and disputes. Our dedicated Tax Audit Team, which includes former senior NTS officials, seasoned tax accountants, and experienced tax attorneys, provides strategic and legally grounded representation tailored to each case. As the NTS moves toward an AI-driven and data-based audit environment, Lee & Ko is well positioned to help clients anticipate risks and respond effectively to evolving enforcement practices. Please feel free to contact us if you would like to discuss how these developments may affect your business.

The Lee & Ko newsletter is provided as a service and promotion for general information purposes. It does not contain legal advice. Although we try to provide quality information, we do not guarantee any results and Lee & Ko is not liable for any damages from the use of the information contained in the newsletter. We reserve all copyrights on text or images in the newsletter. The text or images in the newsletter may not be copied or distributed without the prior permission of Lee & Ko. If you no longer wish to receive our newsletter, please click [here](#) or reply to this email with UNSUBSCRIBE in the subject line.

More L&K Newsletters



Seoul, Korea | SeoCho, Korea | PanGyo, Korea | Beijing, China | Ho Chi Minh City, Vietnam | Hanoi, Vietnam
+82.2.772.4000 | mail@leeko.com | www.leeko.com