

Legal Policy Study on Revision of Korea Tax Acts About A New Nuclear Fuel Tax

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1. Introduction

In January 2019, member of the 20th National Assembly, Jumin Park(Democratic Party) initiated the revision of ‘Local Tax Act’, ‘Framework Act On Local Taxes’, and ‘Local Finance Act’ in relation to nuclear power generation. Since the tax bases for the ‘Local Resource And Facility Tax’ for the nuclear power generation under the current law is based on the operation of the power plant, if the amount of nuclear power generation is reduced or the nuclear power plant is shut down in accordance with the energy conversion policy of the present government, it leads to a decrease in tax revenue of the region. Therefore, Park proposed to amend the existing taxation system of ‘Local Resource And Facility Tax’ and to propose a new ‘Nuclear Fuel Tax’ to secure necessary resources for the maintenance of the living environment and safety measures in the location of the nuclear power plant and its surrounding areas. The purpose of this study is to review the major contents of the amendment of each law related to nuclear power generation and the reason for the legislative process, to examine the effects and prospects of the passage of the bill, and to describe the matters to be considered.

2. Revision of Tax Act Legislation for Nuclear Power Plants

2.1 The Current ‘Local Resource and Facility Tax’ and ‘Nuclear Fuel Tax’

The current ‘Local Tax Act’ imposes ‘Local Resource and Facility Tax’ on the amount of

electricity generated by nuclear power plants for those who develop using nuclear power to offset the direct and incidental effects of nuclear power directly and indirectly on neighboring areas. The purposes of the ‘Local Resource and Facility Tax’ is to secure financial resources necessary for protecting and developing local resources, such as underground and marine resources, tourism resources, water resources and special geographical features, for conducting safety management projects, such as fire-fighting activities and prevention of specific disasters in a region, and for performing projects for environment protection and improvement and projects for balanced regional development, or in order to cover the expenses incurred in fire-fighting facilities, waste disposal facilities, irrigation facilities and other public facilities.

In Japan, nuclear fuel tariffs are imposed on nuclear fuel injected into power generating reactors, but Korea is not yet subject to any additional taxation on nuclear fuel.

2.1.1 Amendment of ‘Local Resource and Facility Tax’ in ‘Local Tax Act’. The amendment to the ‘Local Tax Act’ contains the conversion of the ‘Local Resource and Facility Tax’ tax bases for nuclear power plants from ‘amount of generation’(1 won per kWh) to ‘generation capacity’(5,000 won per kW, yearly basis, 2,500 won per kW for permanently suspended power plants). In this case, it is possible to secure tax revenue even if nuclear power generation is reduced or the nuclear power plant is shut down according to the energy conversion policy.

2.1.2 New Plan for ‘Nuclear Fuel Tax’ under

‘Local Tax Act’. Unlike Japan, Korea is not subject to any additional taxation on nuclear fuel that is currently inserted into power generation reactors. The amendment to the ‘Local Tax Act’ contains a report on the creation of a ‘Nuclear Fuel Tax’ that allows nuclear power companies to report and pay 10 percent of the value of nuclear fuel materials to local governments in nuclear power plants by ordinance.

2.2 Amendment to the ‘Framework Act on Local Taxes’

The revision bill of the ‘Framework Act on Local Taxes’ is based on the revision of the ‘Local Tax Act’, which defines the ‘Nuclear Fuel Tax’ as target tax, special tax, metropolitan tax, or special autonomy tax. The time of establishing the tax liability for ‘Nuclear Fuel Tax’ is ‘when inserting nuclear fuel material into a nuclear reactor for power generation’. This is to revise the related regulations simultaneously according to the revision of the ‘Local Tax Act’.

2.3 Amendment to the ‘Local Finance Act’

According to the current law, 65% of the local subsidies levied on thermal power and nuclear power are distributed to the city and county where the power plant is located, and the revised bill is revised according to the revision of the ‘Local Tax Act’. The same amount of 65% is allocated to cities and counties where nuclear power plants are located. This is to revise the related regulations simultaneously according to the revision of the ‘Local Tax Act’.

3. Impact and Prospects when Passing Legislation

The amendment to the ‘Local Tax Act’ includes the change of existing ‘Local Resource and Facility Tax’ levy from ‘amount of generation’ to ‘generation capacity’ regardless of the operation rate of the nuclear

power plant. And it contains contents that the nuclear fuel tax is newly established and the obligation of the nuclear power plant to obligation to bear the burden of fuel loading. It is expected that when passing the bill, it will be possible to secure additional 55.7 billion won for the ‘Local Resource and Facility Tax’ of the province and 90 billion won of ‘Nuclear Fuel Tax’ and it will be possible to secure necessary resources for the maintenance of the living environment of cities and counties around the power plant where the tax amount will be reduced due to the energy conversion policy and for the preparation of safety measures. And it is also expected that it will help to preserve the effects of external uncertainties on the neighboring areas due to nuclear power generation

4. Conclusion

We looked at the Amendment of ‘Local Resource and Facility Tax’ and new plan for ‘Nuclear Fuel Tax’. It is necessary to grasp the legislative intention of the existing ‘Local Resource and Facility Tax’ for conservation of the external irregularity effect on the neighboring region due to nuclear power, and detailed examining the present energy situation of our country is also needed for the revision. In this process, the new legislation can make a good balance between safe and economic nuclear power generation, which can secure a sustainable nuclear power generation, and protection and development of regional resources near nuclear power plants by listening to the opinions of various stakeholders.

REFERENCES

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