

**Korea's Written Comments on Intergovernmental Negotiating Committee
on the UN Framework Convention on international Tax Cooperation -
Workstream3**

Protocol 2 – prevention and resolution of tax dispute

July 21 2025

We extend our appreciation to the Secretariat and Co-leads for continued dedication to developing the protocol on the "prevention and resolution of tax dispute", and submit our written comments on the Draft Issues Note as follows:

<Abstract>

1. Protocol 2 should focus on cross-border disputes, related to double taxation.
2. We support the concept of optionality to certain mechanisms, as it increases the acceptability of the protocol.
3. Further statistics and data about mandatory arbitration would be helpful.
4. Capacity building is essential to strengthen both new and existing mechanisms.

1. Possible scope of the protocol

Regarding the scope of provisions in the Framework Convention and protocol 2, we consider it appropriate that the Framework Convention address procedural issues arising from its implementation, while the protocol focus on double taxation issues that may arise between jurisdictions which are parties to the protocol. Protocol 2 could also provide a mechanism to double taxation issues related to other protocols which may be developed later.

However, since domestic disputes are matters of each jurisdiction's sovereignty, Protocol 2 should be limited to resolving cross-border disputes. For domestic disputes, it would be more appropriate to support jurisdictions through guidance on implementing domestic dispute resolution mechanisms.

2. Optionality within the protocol

We support the concept of optionality to certain mechanisms, as it increases the acceptability of the protocol. Reservation allows mechanisms that may be useful to some jurisdictions—despite conflicting with existing obligations or lacking full consensus—to be introduced, aligning with the objectives of the UN discussions on international tax.

3. Mandatory arbitration

Concerning mandatory arbitration, Korea does not currently implement such mechanisms and has some concerns regarding their effectiveness. Access to relevant statistics and data on existing arbitration cases, outcomes, and procedures for constituting panels in implementing countries would assist in our decision-making. In relation to reservations, if arbitration is included in the protocol, we think the ability to reserve against that provision must also be ensured, at least based on our current position.

4. Capacity building

Lastly, capacity building should be a key consideration in the second protocol. Capacity building would enhance not only the effectiveness of newly developed mechanisms but also existing ones. This, too, is an important role of the second

protocol. Improving access to information, such as comparable transactions and transfer pricing cases, could help jurisdictions utilize bilateral APAs and MAPs more effectively. Furthermore, the digitalization of tax administration is instrumental in prevention and resolution of disputes and in enhancing domestic resource mobilization.