

Simultaneous Pressure from the National Tax Service and Fair Trade Commission Reignites Chairman Choi Yun-birm's Legal Risk ('thebell', 2026-06-16)

The National Tax Service (NTS) Investigation Bureau 4 Shifts to On-Site Inspection After Completing Its Preliminary Inquiry... The Fair Trade Commission (FTC) Launches Sanctions Process over Alleged Circular-Shareholding

By Ko Seol-bong | Posted 2026-06-16 11:42:19

Pressure from the investigative authorities on Korea Zinc Chairman Choi Yun-birm is unfolding on multiple fronts. The Fair Trade Commission (FTC), the National Tax Service (NTS) and others are broadly examining matters involving Chairman Choi and Korea Zinc. With the management-control dispute having settled down for now, concerns are growing that the situation could escalate into legal risks for Chairman Choi.

Should that legal risk materialize, the management control dispute is expected to enter a new phase. Chairman Choi established firm leadership by leading Korea Zinc to victory in proxy battles against the MBK–Young Poong Consortium for two consecutive years. Analysts note, however, that if legal risks emerge, cracks could appear in the friendly stakes that had coalesced around him.

◇ Seoul Regional Tax Office Investigation Bureau 4, Known as the “Grim Reaper of the Business World,” Takes Aim at the Chairman's Family

According to an NTS official on June 16th, the Seoul Regional Tax Office's Investigation Bureau 4 has recently been conducting a comprehensive special tax audit of Chairman Choi's family and Korea Zinc. The specific allegations have not yet been disclosed, but some speculate it is an investigation into the illegal outflow of funds on the order of 500 billion won (\$329.8 million¹) and the misappropriation of private gains by the controlling family, including Chairman Choi, and Korea Zinc.

This special tax audit of Chairman Choi's family and Korea Zinc is entirely different in nature from the regular tax audits typically conducted every four to five years. The Seoul Office's Investigation Bureau 4 is a special unit often referred to as the 'Grim Reaper of the business world.' Much like the prosecutors' office, it conducts months of preliminary inquiry before launching an on-site investigation once the allegations become clear.

Investigation Bureau 4 is known for deploying investigators to a site without prior notice to secure evidence. Under the legal basis set out in tax law, it can obtain nearly all company's records without a search-and-seizure warrant—through its powers to question and investigate, to take custody of account books, and to require voluntary submission.

“Investigation Bureau 4 conducts months of preliminary inquiry and when clear allegations are confirmed it deploys investigators to the site and seizes nearly all of the company's information,” an NTS official said. “This special tax audit of Korea Zinc is completely different in nature from a regular audit.”

Within the NTS, attention is focused on the timing of the audit. The significance is considerable: with the management-control dispute against the MBK–Young Poong Consortium largely settled down, the NTS is examining in earnest multiple illegal elements involving Chairman Choi's family and Korea Zinc.

At the regular general shareholders' meeting last March, the Korea Zinc side led by Chairman Choi prevailed over MBK–Young Poong. Last year, cross-shareholding restrictions prevented the MBK–Young Poong side from exercising 100% of its voting shares. This year there were no such restrictions, yet the MBK–Young Poong side

¹ Foreign exchange rate of USD/KRW 1,515.90 as of June 16, 2026 used throughout the document.

still lost the vote. The market interpreted this as Chairman Choi's side firmly gaining the upper hand and taking control in the management dispute.

The NTS launching a comprehensive investigation just as the dispute enters a hiatus is read as a signal that the probe will be intense. It suggests that the NTS intends to proceed according to principle, without becoming entangled in political interests, and signals an intent to impose firm measures on any violations.

“When Korea Zinc and the MBK–Young Poong side were locked in a heated dispute, opening an investigation into either side could have looked as if the government and investigative authorities were unilaterally taking sides, so an investigation could not be launched even though violations existed,” the official said. “Now that the situation has settled to some degree, the preliminary inquiry has ended and on-site inspection has begun.”

◆ **Wide-Ranging Pressure from the Authorities—Will the Chairman's Legal Risk Surface?**

As the authorities successively open wide-ranging investigations into Chairman Choi's family and Korea Zinc, concerns are growing over legal risks for Chairman Choi. Alongside the NTS, the FTC has also begun sanction proceedings against the Chairman.

The FTC recently launched sanction proceedings over Korea Zinc's use of overseas affiliates to create a circular-shareholding. In 2024, Chairman Choi's side mobilized overseas affiliates to create a cross-shareholding for Korea Zinc in order to defend management control. A circular-shareholding was formed in the process, and the FTC is taking issue with it.

The Fair Trade Act strictly limits circular shareholding to prevent a controlling shareholder from dominating an entire corporate group with only a small stake. Because Korea Zinc allegedly created a circular shareholding structure by detouring through overseas affiliates, strong sanctions are expected depending on the KFTC's interpretation.

If the FTC imposes a large administrative fine and files criminal charges, Chairman Choi could, in the worst case, be forced to step down as CEO and from the board. Regulatory evasion through unlawful means may not only result in the imposition of an administrative penalty surcharge, but may also be subject to criminal punishment, including imprisonment for up to three years or a criminal fine of up to 200 million won (\$0.13 million).

The likelihood that Chairman Choi will face legal risk is also rising amid the successive pressure from the authorities. There is speculation that if he faces legal sanctions from the FTC and the NTS at the same time, exercising management control could become impossible.

The management dispute is expected to enter a new phase. The MBK–Young Poong Consortium, which has stepped back and is currently waging legal battles, could gain grounds for renewed attacks. The Consortium would gain grounds to pursue further litigation and to rally votes among shareholders. With added justification to win over institutional investors (such as the National Pension Service) and minority shareholders, the proxy contest at the shareholders' meeting is expected to become even more heated.

“The Seoul Office's Investigation Bureau 4 focuses intensively on companies that have a controlling shareholder,” an NTS official explained. “Because it concentrates on investigating and sanctioning owner risk, depending on the results of this special tax audit there is a possibility that sanctions will be imposed on Chairman Choi and others.”

A Korea Zinc official said, “Since last year there have been special tax audits of Young Poong and MBK Partners,” adding, “It is now Korea Zinc's turn. We understand it as a routine investigation that broadly reviews the multiple suspicions that arose during the management-control dispute.”