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ADPR 5120 Individual Case Study:  
Cha Eun-woo Tax Evasion Entertainment Crisis

## **Case Introduction**

Lee Dong-min, professionally known as Cha Eun-woo, is a South Korean actor, singer, and member of the Korean boy group ASTRO. Cha is under the South Korean agency Fantagio. Through these roles, Cha has built a large network of fans, colleagues, and commercial brand partners, acting as a global ambassador for Dior and Burberry (Abraham, 2026). In January 2026, Cha faced intense public scrutiny following reports from South Korea's National Tax Service alleging that he owed more than 20 billion won, approximately \$14 million USD, in unpaid income taxes (Hankookilbo, 2026). The investigation centers on claims that a company registered under his mother's name functioned as a "paper company," allegedly allowing Cha's entertainment income to be routed through lower corporate tax rates rather than higher personal income tax brackets.

## **Timeline**

- Early 2025: South Korea's National Tax Service conducts an audit into Cha's income and family-run company structures.
- August 2025: The National Tax Service reportedly finds irregularities in corporate structures and additional taxes owed.
- January 22, 2026: Fantagio releases a statement that the tax issue is "not finally confirmed or officially notified."
- January 26, 2026: Cha releases a personal statement apologizing for the controversy and pledges full cooperation with authorities.

## **Reputational and Operational Threats**

This crisis represents an organizational misdeed resulting from Cha's personal financial practices. The controversy originated from allegations of dishonest income management and potential legal violations, which placed Cha under formal investigation. Although he later issued an apology, the allegations immediately damaged his public image. He is currently facing backlash from the general public, who once viewed him as kind and trustworthy (Choi, 2026). Commercially, the crisis threatened Cha's endorsement partners, with brands including Shinhan Bank and Abib Cosmetics reportedly pausing partnerships (Yi, 2026). Consequently, future acting projects, advertising contracts, and brand negotiations have been placed in uncertainty.

## **Primary Publics/Stakeholders**

Several stakeholder groups were significantly impacted. Fantagio, Cha's agency, faced criticism for failing to oversee financial risk management and for distancing itself from responsibility (Hankookilbo, 2026). Cha's legal representatives later accused that the crisis was a result of financial anxiety from Cha's mother due to an instability in Fantagio's management, leading her to make independent financial decisions (Abraham, 2026). Brand partners such as Shinhan Bank were also affected. While the company was already facing backlash for other partnerships, Shinhan faced renewed criticisms as Cha's allegations surfaced. This led many public figures to comment that businesses should be more careful about partnering with celebrities due to the lack of certainty surrounding their personal lives (Yi, 2026).

Lastly, the crisis affected fans. Previously known and loved as a "Genius Face" and genuine idol, that image was tarnished after the allegations. Portions of Cha's fanbase's perception changed, pulling back their support with a quieter approach instead.

### **Media and Information Channels Response**

South Korean media outlets, such as *The Korea Herald* and *The Chosun Ilbo*, emphasized the severity of the alleged tax liability and the role of family-run companies. These coverages framed the case as a message of broader concerns regarding celebrity privilege and financial accountability in South Korea (Osen, 2026). International media coverage, such as *Forbes*, extended reputational damage to global audiences unfamiliar with Cha's previous public standing. Social platforms like Instagram, TikTok, and X amplified the severity of the impact on Cha's character. While some fans attempted to make jokes or paint the situation in a more trivial manner to minimize the negative impact, trending hashtags and reposted news clips intensified visibility and shortened Cha's response window to publics less familiar with his character.

### **Organizational Crisis Response**

Fantagio's response was very succinct, acknowledging the issue but distancing itself from the crisis by emphasizing its lack of involvement. Additionally, they stressed that no finalized tax ruling had been issued and that legal procedures were ongoing (Abraham, 2026). Cha's response was more personal, despite its delay due to his military service. The SCCT strategy he used was reminding by releasing an apology that acknowledged responsibility and pledged transparency and cooperation. By asking his fans for their continued support, it prompted stakeholders' loyalty and trust. This pushed a lot of his fans and colleagues to fight for him on social media, preventing further escalation (Xportsnews, 2026). Cha's lawyers used denial to shift blame onto Fantagio, stating that Cha's mother took actions to protect Cha due to frequent changes in Fantagio's representatives (Abraham, 2026). These responses humanized Cha and his family's actions while redirecting blame away from him.

### **Evaluation**

The crisis significantly disrupted Cha Eun-woo's public image as a disciplined and trustworthy celebrity figure. While no final legal outcome has been announced, the reputational damage was immediate, particularly in relation to brand credibility and public trust. Additionally, his brand partnerships were impacted, losing multiple clients and putting acting roles on hold. However, Cha's apology and transparent tone helped prevent further escalation, stabilizing fan sentiment and demonstrating SCCT rebuilding strategies to help preserve long-term audience loyalty. Additionally, the denial and shift of blame onto Fantagio prompted fans to investigate Fantagio instead of Cha as an individual.

Reflecting on this incident, there are a couple of things I would implement for the future. First, I believe Cha would benefit from an established crisis communication team to issue immediate messaging. This is particularly relevant for this case as Cha's personal statement was delayed due to his active enrollment in the military, allowing the media to control the narrative. With this established team, they would be able to plan and create statements and procedures for crises where Cha is unavailable. Additionally, proactive coordination between Fantagio and Cha would prevent contradictory messaging. While Cha's lawyers were effective in shifting the blame off of Cha and onto Fantagio, it is still his current agency, which could result in a negative impact on their relationship. Lastly, following the verdict, a supervised press conference would allow Cha to address the public directly, rebuild trust, and reinforce transparency to maintain

loyalty. Ultimately, while the crisis damaged Cha's image, his apology and cooperation positioned him for potential long-term recovery.

## Appendix

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