Taxation of international executives: South Korea

July 2024

Contents

01

Overview and Introduction

1 Overview and Introduction

Individuals are classified either as resident or non-resident taxpayers. Resident taxpayers are taxed on their worldwide income. However, tax residents in Korea of foreign nationality who have had a domicile or place of residence in Korea for 5 years or less in aggregate in the previous 10 years ending on the last date of the tax year concerned, will not be subject to Korean income tax in relation to their foreign-sourced income attributable to that tax year unless the income is paid in or remitted to Korea. Non-resident taxpayers are taxed only on Korean sources of income.

Income tax is calculated by applying a progressive tax rate schedule from 6 percent to 45 percent (exclusive of the local income tax that is 10 percent of the income tax amount) to taxable income.

As a result of the international environment and the large expatriate community in Korea, the income tax law incorporates a number of special features, including a distinction between employment income borne by a Korean entity and employment income borne by a non-Korean entity.

A separate tax calculation must be made for each of the three major income categories: composite income, retirement income, and capital gains income. Each category has a unique tax base and/or rate structure.

The official currency of Korea is the Korean (South) Won (KRW).

Herein, the host country/jurisdiction refers to the country/jurisdiction where the expatriate is going on assignment. The home country/jurisdiction refers to the country/jurisdiction where the expatriate lives when they are not on assignment.

02

Income tax

2 Income Tax

2.1 Tax returns and compliance

When are tax returns due? That is, what is the tax return due date?

31 May of the year following the tax year.

What is the tax year-end?

31 December.

What are the compliance requirements for tax returns in Korea?

Taxpayers who receive only Class A income may not be required to file an annual tax return since their employer is required to withhold payroll taxes monthly, finalize their tax liability, and issue a tax settlement certificate at the end of the tax period. Class A income earners who receive income from other sources, such as Class B income, business income, and rents, must file a tax return of their composite income on or before 31 May of the year following the tax year. There are no official procedures for obtaining extensions of time to file tax returns.

Class B income earners can pay their taxes by either of the following two methods.

- Declare Class B income on a voluntary basis and pay the taxes by 31 May of the year following the tax year.
- Join a taxpayer's association and pay the required taxes on a current monthly basis through the association that will finalize each member's income tax liability at the end of the tax year. All association members obtain a 5 percent reduction in the amount of tax payable for timely paid taxes up to KRW 1 million as the annual limit.

If the taxpayer fails to file within the statutory period, then a late filing penalty of 20 percent of tax amount due is assessed. If tax due is paid past the due date, a late payment penalty is assessed. The late payment penalty is calculated in the following way: tax amount due x [0.022 percent x number of days past due date].

Residents

In case of residents, salaries received outside of Korea as well as those received within Korea will be taxed in Korea.

However, as for a foreign resident who has had a domicile or place of residence in Korea for 5 years or less in aggregate in the previous 10 years ending on the last date of the tax year concerned, will not be subject to Korean income tax on the foreign-source income attributable to that tax year unless the income is paid or remitted to Korea.

Non-residents

In case of non-residents, salaries received outside of Korea as well as those received within Korea will be taxed in Korea as long as they relate to services performed in Korea.

2.2 Tax rates

What are the current income tax rates for residents and non-residents in Korea?

Residents

The following graduated income tax rates are applied separately to taxable composite income and retirement income to calculate the tax amount from each source of income. In addition, local income tax of 10 percent of the total income tax amount is assessed.

Income tax table for 2024

Taxable income bracket		Total tax on income below bracket	Tax rate on income in bracket
From KRW	To KRW	KRW	Percent
0	14,000,000	0	6
14,000,001	50,000,000	840,000	15
50,000,001	88,000,000	6,240,000	24
88,000,001	150,000,000	15,360,000	35
150,000,001	300,000,000	37,060,000	38
300,000,001	500,000,000	94,060,000	40
500,000,001	1,000,000,000	174,06,000	42
1,000,000,001	unlimited	384,060,000	45

However, foreign expatriates can elect to apply a 19 percent flat tax rate (20.9 percent flat tax rate inclusive of local income tax) to total Korea-sourced employment income.

Non-residents

Tax rate for non-residents is the same as that for residents.

2.3 Residence rules

For the purposes of taxation, how is an individual defined as a resident of Korea?

For income tax purposes, a resident is an individual who is domiciled or resident in Korea for 183 days or more. Thus, an individual will be deemed a resident if their occupation requires them to reside in Korea for 183 days or more, or if it appears that residence is their intent in view of their family, financial, and occupational status in Korea. Temporary absences from Korea are considered an integral part of the period of residence.

A non-resident is simply an individual other than a resident.

Is there, a de minimus number of days rule when it comes to residency start and end date? For example, a taxpayer can't come back to the host country/jurisdiction for more than 10 days after their assignment is over and they repatriate.

There is not such a specific rule in Korea when it comes to the definition of residents.

What if the assignee enters the country/jurisdiction before their assignment begins?

Even if the assignee enters Korea before their assignment begins, the tax obligation for Korean- sourced income does not occur as long as they do not start to work until the actual date of assignment. The tax on the income earned is assessed at the actual starting date of assignment.

2.4 Termination of residence

Are there any tax compliance requirements when leaving Korea?

Taxpayers who leave Korea permanently must file a final tax return prior to their departure, based upon a tax year starting from 1 January to the date of departure.

What if the assignee comes back for a trip after residency has terminated?

In a case the former assignee comes back to Korea for a trip, there is no tax obligation for the assignee unless the trip is work-related.

Communication between immigration and taxation authorities

Do the immigration authorities in Korea provide information to the local taxation authorities regarding when a person enters or leaves Korea?

No. Generally the immigration authorities do not provide any information to the tax authorities unless required.

Filing requirements

Will an assignee have a filing requirement in the host country/jurisdiction after they leave the country/jurisdiction and repatriate?

Yes, if there is any Korea-sourced taxable income.

2.5 Economic employer approach

Do the taxation authorities in Korea adopt the economic employer approach to interpreting Article 15 of the Organisation for Economic Co-operation and Development (OECD) treaty? If no, are the taxation authorities in Korea considering the adoption of this interpretation of economic employer in the future?[4]

Yes. If the remuneration paid to the expatriate worker stationed less than 183 days in the host country/jurisdiction (that is Korea) is borne by the host entity as a result of the recharge from the home entity, the host entity should withhold income tax and file withholding tax return with the Korean tax authority.

De minimus number of days

Are there a de minimus number of days before the local taxation authorities will apply the economic employer approach? If yes, what is the de minimus number of days?

No.

2.6 Types of taxable compensation

What categories are subject to income tax in general situations?

The following is a brief listing of items that may form part of an expatriate’s compensation package that are considered taxable earned income. This listing is not intended to be comprehensive:

- salaries and wages, bonuses, allowances, and other compensation for services rendered
- termination payments other than qualified severance pays (that is retirement income), such as retirement bonuses for meritorious service
- reimbursement of expenses related to entertainment, confidential representation, and taxes without a clear business purpose

- fixed monthly or annual allowances for transportation or travel
- reimbursements for transportation or travel where proof of expense is not presented
- allowances for housing, food, clothing, health, family, inflation, overtime, and so on overseas allowances received by expatriates
- insurance premiums paid by the employer for the benefit of the employee wages paid in- kind, at market value.

Intra-group statutory directors

Will a non-resident of Korea who, as part of their employment within a group company, is also appointed as a statutory director (i.e. member of the Board of Directors in a group company situated in Korea) trigger a personal tax liability in Korea, even though no separate director's fee/remuneration is paid for their duties as a board member?

Any director’s fee/remuneration received by a non-resident in consideration of their duties as a board member of a Korean entity shall be subject to Korean income tax as Korea sourced income.

a) Will the taxation be triggered irrespective of whether or not the board member is physically present at the board meetings in Korea?

Yes. Any remuneration received as a board member of a Korean entity shall be regarded as Korea sourced income irrespective of where the board member performs their duties.

b) Will the answer be different if the cost directly or indirectly is charged to/allocated to the company situated in Korea (i.e., as a general management fee where the duties rendered as a board member is included)?

No, it will still be taxable in Korea based on the substance of the payment regardless of the form of cost recharge/allocation.

c) In the case that a tax liability is triggered, how will the taxable income be determined?

The taxable income will be determined based on relevant facts and circumstances.

2.7 Tax-exempt income

Are there any areas of income that are exempt from taxation in Korea? If so, please provide a general definition of these areas.

The following items generally are considered to be either non-taxable reimbursements or tax- exempt earned income. This listing is not intended to be comprehensive:

- meal allowance up to KRW200,000 per month
- reimbursement of vehicle operating expenses up to KRW200,000 per month when an employee uses their own vehicle for business purposes
- cost of uniforms provided to those required by law to wear uniforms
- cost of work clothes worn only at the workplace by employees in certain industries
- reimbursements for social membership and entertainment expenses incurred for business purposes
- qualified employee’s education fees paid by the employer
- cost of housing of the expatriate employee, entirely paid by the employer directly on behalf of the employee where the rental contract was entered into between employer and landlord, and such housing facility is a regular residential house/apartment.

2.8 Expatriate concessions

Are there any concessions made for expatriates in Korea?

The following special rules are available to expatriates.

- Foreigners can elect either of the following two methods for the calculation of their employment income tax.
  - Apply a 19 percent flat tax rate to total Korea-sourced employment income (no deductions or credits are allowed for this purpose)
  - Use the existing regular method of tax calculation under which graduated rates ranging between 6 percent and 45 percent are applied to adjusted taxable income that has been derived by subtracting applicable deductions and exemptions from gross income (the tax amount so calculated is further reduced by applicable tax credits to arrive at the final tax due amount under the regular method).

In order to make the election for the 19 percent flat rate, taxpayers should file an application when the monthly payroll withholding tax return or year-end payroll tax reconciliation is performed or when the annual composite income tax return is filed. The monthly payroll withholding tax return, year-end tax reconciliation and the annual composite income tax return are due 10th day of the following month, 10 March and 31 May of the year following the tax year, respectively.

- Wages received by an expatriate sent to Korea under a governmental agreement.
  - 50 percent tax exemption for wages received by a qualified expatriate technician/engineer/appointed professor (of a promising cluster) furnishing services to a domestic company or person, if such wages are received within 10 years of the date of employment (For this purpose the employment should start on or before 31 December 2026). The expatriate technician must have had 5 years' work experience with a bachelor's degree or 2 years' experience with a doctor's degree. The expatriate technician must have a contract to work in a specified industry.

2.9 Salary earned from working abroad

Is salary earned from working abroad taxed in Korea? If so, how?

Where days worked outside Korea are considered to be an integral part of the period of residence for an expatriate, the taxable salary of the expatriate may not be reduced by allocating income to working days spent abroad on business trips.

2.10 Taxation of investment income and capital gains

Are investment income and capital gains taxed in Korea? If so, how?

Investment income

Capital gains from the sale or transfer of land, buildings, or rights thereto, and stocks and other assets specifically listed in the pertinent Presidential Enforcement Decree, are subject to capital gains tax at a 6 percent to 45 percent graduated rates or flat rates depending on the category and holding period. Taxpayers subject to forced property sales under legal or bankruptcy proceedings may obtain tax relief under certain conditions, and capital gains arising from certain transfers, exchange, and government appropriation of farmland are tax exempt. Gains from the sale of one residence per household are generally exempt from capital gains tax if the taxpayer who owns only one residence has held the residence for 2years or more. Owners of luxury residences are required to pay taxes on gain related to excess space deemed luxurious under relevant law. Luxury residences are houses or apartments that have a value of at least KRW1.2 billion.

Capital gains are calculated by deducting the original purchase price, capital improvements, a basic deduction of KRW2.5 million, special deductions, and other necessary expenses from the sales price.

Special deductions are available to encourage long-term holding of properties for holding period of 3 years or more at 6 to 30 percent (Applicable only to transfer of real estate).

Gains from the transfer of securities by a non-resident are subject to a withholding tax of 10 percent of the sales proceeds. However, where the acquisition value of securities can be confirmed obviously, the amount of tax withheld is the lower of the following two amounts: 10 percent of the sales proceeds or 20 percent of the gain on the sale.

Capital gains tax

Capital gains tax is charged using either flat rates or a progressive schedule, depending on the category of assets. The rates for tax year 2024 are as follows.

	Percent
Sale of real property (commercial or residential) held less than 1 year	50
Sale of real property (commercial or residential) held for 1 year or more but less than 2 years	40
Sale of purchase right for residential property sold in lots	60 percent for certain areas
Residential property of a taxpayer whose household owns two or more residential properties	Progressive rate, tax rates varying based on number of holding periods, or tax rates increased by 10~20 percent from the progressive rate for certain areas
Residential property of a taxpayer whose household owns three or more residential properties	Progressive rate, tax rate varying based on number of holding periods, or tax rates increased by 20~30 percent from the progressive rate for certain areas
Sale of real property (commercial or residential) owned by the taxpayer but not registered	70
Capital gains arising from sale of shares in unlisted companies	
SMEs	10 (up to 25 if sale by a major shareholder)
Other	20 (up to 25 if sale by a major shareholder)

For real property other than the ones described earlier that is registered in the taxpayer's name and has been held for 2 years or more, the following rates apply.

Capital gains	Tax rate	2024
Over KRW	Under KRW	Percent
0	14 million	6
14 million	50 million	15
50 million	88 million	24

Capital gains	Tax rate	2024
Over KRW	Under KRW	Percent
88 million	150 million	35
150 million	300 million	38
300 million	500 million	40
500 million	1 billion	42
1 billion	Over	45

Dividends, interest, and rental income

Expatriates deemed residents are subject to Korean tax on their worldwide income, including their investment income. However, tax residents in Korea of foreign nationality who have had domicile or place of residence in Korea for 5 years or less in aggregate in the previous 10 years ending on the last date of the tax year concerned, are not subject to Korean income tax in relation to their foreign- sourced income attributable to that tax year unless the income is paid in or remitted to Korea. Interest income paid by financial institutions and dividend income paid by public companies, not exceeding KRW20 million per year, generally are subject to the separate taxation rule (that is taxes due on these sources of income are calculated separately from those for composite income). The tax on the interest and dividend income subject to separate taxation is withheld at the source at a rate of 15.4 percent (inclusive of the local income tax), which is a final tax. Interest and dividends paid to non-residents are subject to a 22 percent withholding tax (inclusive of the local income tax). However, interest income arising from bond issued by the government or local authority and local company is subject to a 15.4 percent withholding tax including local income tax. Withholding tax rates may be reduced under the provision of double taxation treaties.

Gains from stock option exercises

When stock option is exercised, income tax and social taxes will be imposed.

Income taxes

The gain on exercise (difference between the exercise price and the fair market value of the stock on the date of exercise) will be treated as earned income and subject to income tax.

The income will normally be classified as Class B income. However, if certain conditions set forth in Article 19 of the Presidential Enforcement Decree to the Corporate Income Tax Law are satisfied, the associated costs recharged to a local company can be deducted on its corporate income tax return; in such a case (i.e., corporate tax deduction is claimed by the local company), the income will be re characterized as Class A income.

Residency status		Taxable at:	
	Grant	Vest	Exercise
Resident	N	N	Y
Non-resident	N	N	Y
Other (if applicable)	N/A	N/A	N/A

Foreign exchange gains and losses

Income denominated in foreign currency should be converted into Korean Won at the standard exchange rate of the date the income is received. Foreign exchange gains or losses are not separately considered as income or loss.

Principal residence gains and losses

Gains from the sale of one residence per household generally are exempt from capital gains tax if the taxpayer who owns only one residence has held the residence for 2 years or more.

Owners of luxury residences are required to pay taxes on gain related to excess space deemed luxurious under relevant law. Luxury residences are houses or apartments that have a value of at least KRW 1.2 billion.

Capital losses

Not applicable. Even if any capital losses occur as a result of investment in the properties or stocks subject to capital gains tax, the related tax return should be filed with the tax authority. Capital gain/loss is taxed separately from the other two types of income (that is composite income and retirement income).

Personal use items

In general, personal use items are not subject to income tax.

Gifts

Property acquired in a manner of donation or gift are subject to gift tax. The applicable tax rate is 10 percent to 50 percent by taxable income bracket.

Residents or non-residents who acquire gift properties are required to file a tax return within 3 months from the end of the month in which the gift is received.

2.11 Additional capital gains tax (CGT) issues and exceptions

Are there additional capital gains tax (CGT) issues in Korea? If so, please discuss?

Not applicable.

Pre-CGT assets

Not applicable.

Deemed disposal and acquisition

Not applicable.

2.12 General deductions from income

What are the general deductions from income allowed in Korea?

A number of deductions are available to a resident depending upon the type of income and their family status.

Earned income deduction

Every resident and non-resident are entitled to a deduction from their wage and salary income. The amount of the deduction depends on the amount of wages or salaries earned. The deduction is computed as follows. However, please note that the amount exceeding KRW 20 million is not deductible as earned income deduction effective from 1 January 2020.

Wages	Cumulative on lower limit	Total deduction below bracket	
From KRW	But not over KRW	KRW	Percent
0	5,000,000	0	70

Wages	Cumulative on lower limit	Total deduction below bracket	
From KRW	But not over KRW	KRW	Percent
5,000,001	15,000,000	3,500,000	40
15,000,001	45,000,000	7,500,000	15
45,000,001	100,000,000	12,000,000	5
100,000,001	Over	14,750,000	2

Personal exemptions

A resident may qualify for personal deductions depending on their personal status such as "basic deductions" and "additional deductions".

	KRW
Basic	
Taxpayer	1,500,000
Spouse	1,500,000
Dependent	1,500,000
Additional	
Elderly	1,000,000
Handicapped	2,000,000
Female head of household or dual income earner	500,000

The spouse deduction may be claimed provided that the spouse's income is less than KRW1,000,000 in aggregate.

The dependents deductions may be claimed if the taxpayer's dependents including brother/sister who is 20 years old or younger or 60 years old or older who are lineal family member with annual income of less than KRW1,000,000 or less than KRW5,000,000 if wage & salary income is their only income source living in the same household supported by the taxpayer.

A basic deduction may be claimed for a fostered child under 18 years old with annual income of less than KRW1,000,000 under the resident's foster care for 6 months or more in the tax year.

An additional elderly dependent exemption may be claimed if the resident, spouse, or a dependent living with and supported by the resident is 70 or older. An additional disabled exemption may be claimed if the resident, spouse, or a dependent living with and supported by the resident is a handicapped person.

Female head of household or dual income earner deductions may be claimed if the composite income of the female is less than KRW30,000,000.

For a single-parent employee (without spouse) having lineal descendants or adoptees who are subject to basic deduction, an annual deduction of KRW1,000,000 is available with no double deduction with female head of household deduction.

Retirement income

Retirement income received from an employer is reduced by the following deductions to arrive at the taxable retirement income:

- the sum of a basic deduction and an additional deduction each of which vary based on the years of service as shown below.

Service years (SY)	Basic deduction (KRW)
Less than 5 years	1,000,000 x SY
5 to 10 years	5,000,000 + 2,000,000 x (SY minus 5 years)
10 to 20 years	15,000,000 + 2,500,000 x (SY minus 10 years)
More than 20 years	40,000,000 + 3,000,000 x (SY minus 20 years)

Severance tax base per annum should be calculated and gradual deduction is applied as the below:

Tax base per annum: (Taxable retirement income X 12) / Service years

Tax base per annum	Deduction
Less than KRW8 million	100 percent
KRW8 million to 70 million	KRW8 million +(60% exceeding KRW8 million)
KRW70 million to 100 million	KRW45.2 million +(55% exceeding KRW70 million)
KRW100 million to 300 million	KRW61.7 million +(45% exceeding KRW100 million)
Over KRW300 million	KRW151.7 million +(35% exceeding KRW300 million)

The tax rates applied in the earlier formula are the same as the graduated rates applied to the taxable composite income. Total tax amount is determined by multiplying the number of service years by 12.

Special deductions

The following deductions are allowed to a resident with earned income.

- Pension contributions paid by workers under the National Pension Law are deductible fully.
- Premiums paid by workers under the National Health Insurance Law and Employment Insurance Law are deductible fully.
- Credit/debit card usage deduction: Credit card usage deduction is available for the aggregate personal expenditure billed within Korea on Korean credit cards of a taxpayer or their dependents that exceed 25 percent of their gross income (“eligible amount”). The deductible amount is calculated in the following manner:
  - credit card: 15 percent of eligible amount
  - debit card/cash receipts/prepaid card/: 30 percent of eligible amount
  - card usage for traditional market: 40 percent (or 50 percent in April – Dec. 2023) of eligible amount
  - card usage for public transportation: 40 percent (or 80 percent in 2023) of eligible amount

And if the amount spent on credit cards or similar exceed the immediately preceding year, 20 percent of the increased amount is eligible for additional deduction.

The deduction limit is the lesser amount between the 20 percent of gross wage & salary income and KRW3 million. But in case of the amount exceeding the deduction limit, the lesser amount between the excess and the amount spent in traditional markets and the amount spent on public transportation shall be additionally deducted (within limits of KRW1 million per annum respectively.) (Maximum limits of KRW5 million).

2.13 Tax reimbursement methods

What are the tax reimbursement methods generally used by employers in Korea?

Current year gross-up.

2.14 Calculation of estimates/ prepayments/ withholding

How are estimates/prepayments/withholding of tax handled in Korea? For example, Pay-As- You-Earn (PAYE), Pay-As-You-Go (PAYG), and so on.

Pay-as-you-go (PAYG) withholding

If the compensation is paid out or borne by the Korean entity, the employment income is classified as “Class A income”. In this case, the employer of Korea is obligated to withhold appropriate income taxes. The monthly withholding tax filing and remittance of the taxes are due by 10th day of the following month in which the compensation is paid. They are also required to perform and file the year-end tax reconciliation by 10 March of the following year in relation to their employee’s monthly tax filing.

PAYG installments

If the compensation is not paid nor borne by the Korean entity, the employment income is classified as “Class B income”. In this case, the employer has no withholding or filing obligation. However, the employee has an obligation to report income tax due on their Class B income by either of the following two methods:

- declare Class B income and pay the taxes by filing an annual tax return by 31 May of
- join a taxpayer’s association and pay the required taxes on a monthly basis through the association.

When are estimates/prepayments/withholding of tax due in Korea? For example: monthly, annually, both, and so on.

If Class A income, the withholding taxes should be remitted to the tax office by the 10th day of the month following the month in which the compensation is paid out. If Class B income, there is no estimated tax or withholding tax requirement.

2.15 Relief for foreign taxes

Is there any Relief for Foreign Taxes in Korea? For example, a foreign tax credit (FTC) system, double taxation treaties, and so on?

For those residents who are liable for non-Korean income taxes, a credit for tax paid abroad is available. However, the credit may not exceed the amount derived from multiplying the Korean income tax due by the following ratio: taxable income on which foreign tax credit is claimed divided by the total amount of taxable income.

2.16 General tax credits

What are the general tax credits that may be claimed in Korea? Please list below.

Certain tax credits may be claimed for the taxpayer's regular tax liability. The following are examples of commonly claimed credits:

- Tax credit for wage & salary income: all employment income (wage and salary) earners are eligible to claim the credit as the below
  - Up to KRW1,300,000: 55 percent of calculated income tax
  - Over KRW1,300,000: KRW715,000 + 30 percent of the amount exceeding KRW1,300,000

Limits of tax credit for wage & salary income are as follows.

Wage & salary income	Limits
Up to KRW33,000,000	KRW740,000
KRW33,000,000 ~ KRW70,000,000	Max [KRW740,000 – (Gross wage & salary income – KRW 33,000,000) × 0.8%, KRW660,000]
KRW70,000,000 ~ KRW120,000,000	Max [KRW660,000 – (Gross wage & salary income – KRW 70,000,000) × 50%, KRW500,000]
Over KRW120,000,000	Max [KRW500,000 – (Gross wage & salary income – KRW120,000,000) × 50%, KRW200,000]

Tax credit for children/grandchildren (age of 8 years or older): residents with global income are eligible to claim for children tax credit as specified below.

- KRW150,000 for one child.
- KRW350,000 for two children.
- Additional KRW300,000 per additional child (three or above).

Tax credit for pension account: residents with global income are eligible to claim 12 percent (gross income exceeding KRW55,000,000) or 15 percent (gross income up to 55,000,000) of pension contributions an allowable limit of KRW6million a year (KRW9 million is applicable if there is a retirement pension account made by a resident from January 2016).

- Tax credit for taxpayer's association: all taxpayer's association members obtain 5 percent credit for taxes timely paid by the monthly due dates up to KRW 1 million per tax year.
- Tax credit for tax paid/payable in foreign country/jurisdiction:
- Additionally, below special tax credits are available for resident taxpayers with wage and salary income.
- Insurance premium: all employment income earners are eligible to claim 12 percent (15 percent if the insured or beneficiary is disabled) credit for the indemnity insurance premiums paid with an allowable limit of KRW1 million a year.
- Medical expenses: all employment income earners are eligible to claim 15 percent credit for the medical expenses which are spent for persons eligible for basic deduction in excess of 3 percent of the total wage and salary income with an allowable limit of KRW7 million a year. But there is no limit for medical expenses spent for the taxpayer themselves, a dependent age 65 or more, the disabled and the infertility treatment.
- Educational expenses: all employment income earners are eligible to claim 15 percent credit for the educational expenses which are paid for persons eligible for basic deduction within the following allowable limits. Education expenses spent for the taxpayer themselves and the disabled are not subject to such limits.

Type of expense	Total amount
For children not-yet-enrolled in elementary schools and students enrolled in elementary schools, middle schools, high schools	Up to KRW3 million
For college/university	Up to KRW9 million
For graduate school	Total amount spent for taxpayer only

Donation: a resident is eligible to claim 15 percent (25 percent, in such case that the contribution amount exceeds KRW30 million for political fund donation and 30 percent for the amount exceeding KRW10 million other than political fund donation) credit for the amount of contribution paid for the corresponding year.

Standard tax credit: all employment income earners are eligible to claim tax credit amounting to KRW130,000, if they do not claim any above special deduction or special tax credit.

2.17 Sample tax calculation

This calculation10 assumes a married taxpayer (a foreigner) resident in Korea with two children whose 3-year assignment begins 1 January 2022 and ends 31 December 2024. The taxpayer's base salary is 100,000 US dollars (USD) and the calculation covers 3 years.

	2022 USD	2023 USD	2024 USD
Salary	100,000	100,000	100,000
Bonus	20,000	20,000	20,000
Cost-of-living allowance	10,000	10,000	10,000
Housing allowance	12,000	12,000	12,000
Company car	6,000	6,000	6,000
Moving expense reimbursement	-	20,000	20,000
Home leave	5,000	-	-
Education allowance	3,000	3,000	3,000
Interest income from non-local sources	6,000	6,000	6,000

Other assumptions

- All earned income is attributable to local sources.
- Bonuses are paid at the end of each tax year and accrue evenly throughout the year.
- Interest income is not remitted to Korea.
- The company car is used for business and private purposes and originally cost USD50,000.
- The employee is deemed resident throughout the assignment.
- Tax treaties and totalization agreements are ignored for the purpose of this calculation.
- The flat tax rate is available to the individual throughout the assignment.

Calculation of taxable income

Year ended	2022 USD	2023 USD	2024 USD
Days in Korea during year	365	365	365
Earned income subject to income tax			
Salary	100,000	100,000	100,000
Bonus	20,000	20,000	20,000
Cost-of-living allowance	10,000	10,000	10,000
Net housing allowance	12,000	12,000	12,000
Company car	6,000	6,000	6,000
Moving expense reimbursement	-	20,000	20,000
Home leave	5,000	-	-
Education allowance	3,000	3,000	3,000
Total earned income	156,000	171,000	171,000
Other income	-	-	-
Total income	156,000	171,000	171,000
Deductions	-	-	-
Total taxable income	156,000	171,000	171,000

Calculation of tax liability

	2022 USD	2023 USD	2024 USD
Taxable income as above	156,000	171,000	171,000
Korean tax thereon	43,201	48,901	48,901
Less:			
Earned income tax credit	-	-	-
Foreign tax credits	-	-	-
Total Korean tax	43,201	48,901	48,901

Footnotes

[1]National Tax Service

[2]Classification of class A earned income and class B earned income is abolished, and the earned income which fell into class B earned income is prescribed in Liability for Withholding, Article 127-1(4) of the Income Tax Act. Despite the invalidity of the terms, the same process for calculation of tax and the annual tax return is applied continuously. As a result, we keep maintaining and using those terms, Class A and B.

[3]The rate is 20.9 percent including local income tax with the extended sunset clause for another 2 years.

[4]Certain tax authorities adopt an ‘economic employer’ approach to interpreting Article 15 of the OECD model treaty which deals with the Dependent Services Article. In summary, this means that if an employee is assigned to work for an entity in the host country/jurisdiction for a period of less than 183 days in the fiscal year (or a calendar year of a 12-month period), the employee remains employed by the home country/jurisdiction employer but the employee’s salary and costs are recharged to the host entity, then the host country/jurisdiction tax authority will treat the host entity as being the "economic employer" and therefore the employer for the purposes of interpreting Article 15. In this case, Article 15 relief would be denied, and the employee would be subject to tax in the host country/jurisdiction.

[5]For example, an employee can be physically present in the country/jurisdiction for up to 60 days before the tax authorities will apply the ‘economic employer’ approach.

[6]

Effective from 1 January 2023, the Korean tax law has been revised to expand the five-year election limitation of the flat tax rate application for foreign workers to twenty years.

Foreign nationals who began to first provide labor in Korea were eligible to have the 19 percent flat tax rate (20.9 percent including local income tax) apply to employment income until the taxable period that ends within five consecutive years from the date the foreigner first provided labor in Korea. However, in accordance with the recent tax revision, foreign nationals are now eligible to apply the preferential rate to the employment income earned from 1 January 2023 until the taxable period that ends within twenty consecutive years from the date the foreigner first provides labor in Korea.

A recent established tax ruling has defined ‘the date the foreigner first provides labor in Korea’ as follows:

– When a foreigner, who had provided labor in Korea and left Korea prior to 1 January 2014, re-entered the country after 1 January 2014 and provided labor, ‘the date the foreigner first provides labor in Korea’ is the date the foreigner first provides labor in Korea after 1 January 2014.

– When a foreigner had been providing labor in Korea as of 1 January 2014, ‘the date the foreigner first provides labor in Korea’ is 1 January 2014. Therefore, in this case, a foreigner is eligible to have the flat tax rate apply up to year 2033 for employment income earned from 1 January 2023.

.

[9]Earned income derived from an equity-based compensation plan of a foreign related company used to be classified as Class B income regardless of the costs being recharged to the local entity. The reason for this was the corporate tax deduction was not allowed for such recharged costs at the local company. Under the terms of the revised corporate income tax regulations dated 18 February 2010, such recharged costs can be deducted from the local entity’s taxable income if the conditions set forth in Article 19 of the Presidential Enforcement Decree to the Corporate Income Tax Law are satisfied. Class B income is not subject to payroll tax withholding whereas Class A income is subject to the mandatory income tax and social security’s withholding. The withholding and reporting obligation is imposed on the local employer who needs to report and remit the taxes by the 10th day of the month following the month in which the taxable event occurs.

[10]Sample calculation generated by Samjong Accounting Corp., the Korea member firm affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity, based on the Ibid.

[11]Flat tax rates are applied since it resulted in lower tax liability.

.

03

Special considerations for short term assignments

3 Special considerations for short-term assignments

For the purposes of this publication, a short-term assignment is defined as an assignment that lasts for less than 1 year.

3.1 Residency rules

Are there special residency considerations for short-term assignments?

Short-term assignees that stay in Korea for less than 1 year are considered non- residents. In general, a foreigner working in Korea is subject to Korean tax regardless of the duration of their assignment. However, if they will stay in Korea for 6 months or less, they may be exempt from Korean tax under the double taxation treaty signed between Korea and their home country/jurisdiction. Typically, the double taxation treaties require the following conditions to be met:

- the assignee stays in Korea for 183 days or less
- their salary is not paid by a Korean entity
- the cost of their salary is not borne by a Korean entity.

3.2 Payroll considerations

Are there special payroll considerations for short-term assignments?

Not applicable.

3.3 Taxable income

What income will be taxed during short-term assignments?

As a non-resident, the assignee will be subject to Korean tax only on their Korean-source income.

3.4 Additional considerations

Are there any additional considerations that should be considered before initiating a short- term assignment in Korea?

Not applicable.

04

Other taxes and levies

4 Other taxes and levies

4.1 Social security tax

Are there social security/social insurance taxes in Korea? If so, what are the rates for employers and employees?

Employer and employee

Type of insurance	Paid by employer	Paid by employee	Total
National pension	4.50%	4.50%	9.00%
Employment insurance	1.15% to 1.75%	0.90%	2.05% to 2.65%
Industrial accident insurance	0.56% to 18.56%	0.00%	0.56% to 18.56%
National health (*) insurance	4.00407%	4.00407%	8.00814%
Total	10.21407% to 28.81407%	9.40407%	19.61814% to 38.21814%

(*) The rate includes Geriatric Long-Term Care Insurance surcharge, which is assessed at a rate of 12.95 percent of the National Health Insurance contribution.

The current contribution rate for National Pension is 9 percent of an employee's gross salary, with 4.5 percent being contributed by the employer and 4.5 percent by the employee via payroll withholding. The monthly contributions are capped at KRW277,650 a month for each. Expatriates employed in businesses with at least one employee are required to join the national pension plan. However, in cases where Korea has a totalization agreement with the expatriate's home government, the provisions of the totalization agreement will supersede the National Pension Law of Korea.

Expatriates with D-7, D-8, D-9 visa types are required to participate in Employment Insurance unless they are exempt under reciprocity principle (that is the expatriate's home country/jurisdiction does not require participation by Korean nationals in its equivalent social insurance). The percentage for the employee is 0.9 percent whereas the employer's percentage ranges from

1.15 percent to 1.75 percent depending on the number of employees at the business. The monthly contribution is not capped.

Expatriates are also subject to Industrial Accident Insurance unless exempt under applicable totalization agreements. The required contribution is borne entirely by the employer. The applicable rate ranges from 0.56 percent to 18.56 percent of an employee's monthly compensation depending on the type of industry. In the case of a business service industry, the applicable premium rate is 0.93 percent. The monthly contribution is not capped.

Expatriates' participation in National Health Insurance is mandatory if they are on local payroll, including charge back of the associated compensation costs to Korea, or if they reside in Korea for more than 6 months. Exemption is available if expatriates are covered by employer-sponsored foreign medical insurance. The percentages for employer and employee are 4.00407 percent (including geriatric long-term care insurance rate) for each. There is an income ceiling of KRW119.62 million per month for the monthly contributions.

4.2 Gift, wealth, estate, and/or inheritance tax

Are there any gift, wealth, estate, and/or inheritance taxes in Korea?

Inheritance and gift tax

A national tax is assessed on the value of property acquired by inheritance or gift, net of certain allowable deductions. The tax rates are progressive, up to a maximum of 50 percent for inheritance and gift tax.

Beneficiaries not domiciled in Korea are subject to tax only if the particular property is located in Korea.

4.3 Real estate tax

Are there real estate taxes in Korea?

Property tax is imposed on land, buildings, housing, ships, and aircraft by municipal government on such properties located in the cities and counties.

The property assessment date is 1 June of each year, and the payment due date is from 16 July to 30 September. Property tax on residential houses ranges from 0.1 percent to 4 percent. Luxury residences, apartments, and houses may be subject to additional property taxes that are assessed by regional tax offices.

4.4 Sales/VAT tax

Are there sales and/or value-added taxes in Korea?

Value-added tax rate is 10 percent.

4.5 Unemployment tax

Are there unemployment taxes in Korea?

Not applicable.

4.6 Other taxes

Are there additional taxes in Korea that may be relevant to the general assignee? For example, customs tax, excise tax, stamp tax, and so on.

Securities transaction tax

A national tax is imposed on the seller of securities, generally, at a rate of 0.35 percent (0.43 percent from January 1, 2021 to December 31, 2023) of the value of the securities sold. This tax is payable by the seller.

Stamp tax

In general, the national government requires that revenue stamps be affixed to specified documents including property transfer documents, loan contracts, certain receipts, and articles of incorporation. The cost of a revenue stamp ranges from KRW100 to KRW350,000, depending on the type of document and on the amount mentioned therein, if any.

Customs duties

Customs duties may be levied on goods entering Korea. The duty rates vary according to the nature of the goods.

License tax

Persons obtaining licenses under local tax law are required to pay an annual license tax for each kind of license. The tax ranges from KRW4,500 to KRW67,500 depending on the type of license and the locality.

Resident tax

Individuals resident in Korea are assessed a per capita resident tax by their local government in the amount of KRW10,000 or less.

Individuals liable for payment of income tax in Korea are assessed an additional local income tax (previously “resident tax”) at the rate of 10 percent of the income tax amount.

Report of Foreign Bank and Financial Accounts

If a resident has held foreign financial accounts and the aggregate balance exceeded KRW500 million on any last day of a month during the tax year, they must report the information of the financial accounts to Korean tax authority. Foreign tax residents having a domicile or place of residence in Korea for not more than 5 years in aggregate in the preceding 10 years ending on the last date of the tax year concerned are exempt from reporting.

Foreign Financial Assets

Is there a requirement to declare/report offshore assets (e.g., foreign financial accounts, securities) to the country/jurisdiction’s fiscal or banking authorities?

Tax residents in Korea having financial accounts opened at foreign financial institutions are required to fill out Form 21 (“Report of Foreign Bank and Financial Accounts”) and submit it to the competent tax office by 30 June of the following year if the aggregate balance exceeds KRW500 million for any last day of month of the calendar year. Foreign tax residents having a domicile or place of residence

in Korea for not more than 5 years in aggregate in the preceding 10 years ending on the last date of the tax year concerned are exempt from reporting.

05

Immigration

5 Immigration

Following is an overview of the concept of Korea's immigration system for skilled labor.

(E.g., which steps are required, authorities involved, in-country/jurisdiction and foreign consular processes, review/draft flow chart illustrating the process)

This summary provides basic information regarding business visits to, and work authorization for, Korea. The information is of a general nature and should not be relied upon as legal advice.

Most foreign nationals who intend to engage in hands-on, substantial employment in Korea will need a Visa and Work Permit. Depending on the purpose of travel to Korea and the nationality of the traveler, there are different types of visas that will apply to the occasion, and which vary in their processes and processing times. For all work authorization types, foreign nationals must coordinate with their employer to collect and legalize corporate and personal documentation.

Korea distinguishes between short-term visas and long-term visas. Short-term visas generally grant a period of stay up to 90 days and are obtained from a Korean consulate/embassy in the respective country/jurisdiction. And they do not require foreigners to apply for an Alien Registration Card (ARC), an ID card for the employee and at the same time, the work/residence permit. Long-term visas generally grant a period of stay more than 90 days and require foreigners who plan to stay in Korea for more than 90 days to apply for an ARC upon arrival to Korea. Prior to long-term visas issued by a Korean consulate/embassy in the respective country/jurisdiction, the Korean company must in advance file an initial visa application to obtain a visa issuance confirmation number on behalf of the employee from the Korean immigration authority in Korea.

5.1 International Business Travel/Short-Term Assignments

Describe (a) which nationalities may enter Korea as non-visa national, (b) which activities they may perform and (c) the maximum length of stay.

Most European countries and many other countries/jurisdictions have a non-visa treaty or visa waiver agreement with Korea which authorizes citizens of these countries/jurisdictions to enter Korea without obtaining a visa. Non-visa treaties and Korean visa waivers often permit foreign nationals to conduct miscellaneous business activities for up to 90 days in general (differ among countries/jurisdictions), provided they are citizens of a country/jurisdiction that has a mutual immigration agreement with Korea. Instead of obtaining a visa, they must secure a Korea Electronic Travel Authorization (K-ETA) prior to entering Korea.

In Korea, business visitors must generally limit their activities to the following:

- Attending meetings and negotiations, preparing contract offers, signing contracts;
- Attending internal business meetings or discussions;
- Attending or holding internal seminars or trainings;
- Touring a company facility;
- Attending a trade show or seminar convention;
- Conducting market research
- Engaging in business communication

Business visitors are generally prohibited from engaging in hands-on/substantial employment activities.

Describe (a) the regulatory framework for business traveler being visa nationals (especially the applicable visa type), (b) which activities they may perform under this visa type and the (c) maximum length of stay.

Visa nationals are required to obtain a C type visa to be able to enter into Korea for business visitor activities. The C type Visa is typically issued for a single entry. Although circumstances may vary, a business visitor may receive authorization to visit Korea for up to 90 days each time a visa is issued.

C Visas are generally not eligible for in-country/jurisdiction extension.

The application for the C Visa must be filed at the Korean embassy/consulate in the respective country/jurisdiction of residence in order to be allowed to enter Korea for up to 90 days.

In regard to the permitted activities and permitted duration of stay please see answers to question 2

Outline the process for obtaining the visa type(s) named above and describe (a) the required documents (including any legalization or translation requirements), (b) process steps, (c) processing time and (d) location of application.

- Document gathering (1-2 weeks)
- Book visa appointment at the Korean embassy/ consulate at the place of residence (1 day) Prepare Visa application (1-2 days)
- File Visa application with the Korean embassy/ consulate at the place of residence (5-10 business days)
- Obtain Visa and travel to Korea (1 day)

GENERAL REQUIREMENTS FOR BUSINESS VISITORS

Documents needs to be provided either in Korean or in English

- Valid passport or travel document;
- Established purpose for the visit (i.e., Letter of Invitation (LOI) from the Korean company including a guarantee to cover certain expenses);
- Confirmation letter of the employer, if requested
- A copy of the Korean company's business registration
- A copy of the Korean company's certificate of tax payment;
- A copy of the Korean company's tax clearance certificate; A copy of the Korean company's certificate of Value Added Tax (VAT) Tax Base; Proof of return or onward travel;
- Proof of sufficient funds to cover all costs while in Korea; and
- Medical check certificate for certain countries/jurisdictions.

Are there any visa waiver programs or specific visa categories for technical support staff on short-term assignments?

No, technical support staff needs to receive a C type visa.

5.2 Long-Term Assignments

What are the main work permit categories for long-term assignments to Korea? In this context outline whether a local employment contract is required for the specific permit type.

D-7, Supervisory Intra-Company Transfer (local employment contract for Korea not required)

The D-7 visa is a long-term (more than 90 days) visa for a supervisory skilled worker transferred between affiliated entities. The assignee must have worked in the related industry for at least 12- months prior to the application.

A holder of the D-7 visa is allowed to enter Korea and start working in Korea and is required to apply for an ARC if planning to stay for more than 90 days.

Requirements are:

- The host subsidiary in Korea should be an affiliated entity such as a subsidiary, branch or liaison office of home company.
- A minimum of 12 months pre-employment in the respective industry prior to the transfer The intra-corporate transfer lasts for more than 90 days.
- Employment at the host subsidiary in Korea as an indispensable skilled worker.
- Proof of professional qualifications, if any, a valid employment contract and an assignment letter
- Korean employer's corporate documents

D-8, Corporate Investment (employment contract for Korea not required)

The D-8 visa is a long-term (more than 90 days) visa for an indispensable skilled worker to be engaged in management, administration or production, technology of a foreign investment Korean corporation established in accordance with regulations of the Foreign Investment Promotion Act.

A holder of the D-8 visa is allowed to enter Korea and start working in Korea and is required to apply for an ARC if planning to stay for more than 90 days.

Requirements are:

- The host subsidiary in Korea should be a foreign invested Korean corporation that is at least 10 percent owned by the home company.
- The invested amount should be at least KRW100,000,000.
- The intra-corporate transfer lasts for more than 90 days.
- Employment at the host subsidiary in Korea as an indispensable worker.
- Proof of professional qualifications, if any, a valid employment contract and an assignment letter
- Korean employer's corporate documents

Provide a general process overview to obtain a work and residence permit for long- term assignments (including processing times and maximum validation of the permit).

The visa and work/residence permit application is a multi-step process. Detailed information with respect to these steps is outlined below:

Step 1: Once the required documents/information from the assignee and the company are received, the first applications will be filed by the Korean company personnel in the immigration office in Korea. It takes about 3 weeks for the Korean immigration authority to process the applications and issue the visa issuance confirmation numbers.

Step 2: Once the visa issuance confirmation numbers are issued, the assignee will visit the Korean Embassy or Consulate General in a country/jurisdiction other than South Korea to have the visa labels endorsed in the passport. The processing time varies depending on each Embassy or Consulate General and is usually 5-10 business days.

Step 3: Upon the approval of the visas, the assignee will be able to enter Korea and will start working. And the application for an Alien Registration Card (ARC), which is an ID card and at the same time, the work/residence permit will be filed in Korea. It will take about 3 weeks for the immigration authority to issue an ARC. The processing time may vary at the authority's discretion depending on the officer's workload.

The maximum validation of the permit is 2 to 3 years depending on the officer's discretion.

Is there a minimum salary requirement to obtain a long-term work and residence permit for assignments? Can allowances be taken into account for the salary?

Generally, no with the D-7 and D-8 visas.

Is there a fast-track process which could expedite the visa/ work permit?

No.

At what stage is the employee permitted to start working when applying for a long-term work and residence permit (assignees/ local hire)?

The employee is permitted to start working when they enter Korea with the respective visa.

Can a short-term permit/ business visa be transferred to a long-term permit in Korea?

Generally, no.

Is it possible to renew work and residence permits?

Yes. As long as the assignment is extended for a valid reason, the work permit can be renewed unlimited times.

Is there a quota or system or a labor market test in place?

Generally, no. However, the immigration authority may limit the number of the D-8 visa respective of an invested amount of KRW100,000,000 per employee. For example, if the home company invested KRW500,000,000 into the Korean subsidiary, the number of the D-8 visas may be limited to 5 visas for the Korean company at the same time.

5.3 General Immigration Related Questions

Would it be possible to bring family members to Korea?

Dependents are allowed to join the main applicant. Spouses (marriage certificate required) and/or children under 19 years (birth certificates required) are considered as dependents.

Is it possible to obtain a permanent residence permit?

Generally, one would be eligible to apply for a permanent residence permit after holding a work permit for 5 years.

What if circumstances change after the Work and Residence application process (e.g., change of employment or personal situation, including job title, job role or salary)?

Any change in the term of the employment or personal situation, including job title, job role or change of address needs to be reported within 14 days from the change.

How long can a permit holder leave Korea without their permit becoming invalid?

Any extended absences from Korea may affect future Long-Term Residency and Citizenship applications. In particular, absences of more than 12 months might will lead to invalidity of the permit if an approval of absence has not been obtained from the local immigration Authorities.

Must immigration permissions be cancelled by the end of the assignment/employment?

In case of a termination of the employment before the end of the validity of the permit, the immigration authorities should be informed. The assignee should inform an immigration officer at the port of departure and return their ARC when the foreigner leaves Korea for good.

Are there any penalties for individuals and/or companies in place for non-compliance with immigration law?

Korea differs between penalties for the individual and the companies. Penalties could be deportation of the employees, restriction on re-entering Korea or monetary fines. The company could face sanctions such as a prohibition on employing foreigner for a period of time.

5.4 Other Important Items

List any other important items to note, or common obstacles faced, in Korea when it comes to the immigration processes.

Below you will find a list of other important items to note and the most common obstacles:

- **Salary in renewal cases** – it is of high importance that the salary indicated in the first application has been paid during the entire period of the assignment.
- **Payment conform Korean minimum wage standards**
- **Salary needs to be comparable to a salary of a Korean employee**
- **Degree verification** – the Korean authorities only recognize certain listed degrees for certain permit types.
- **Apostilles/Legalization/ Verification process** – Although apostilled documents are not required in general, the Korean authorities may request for verification proof.
- **Translations –** certain documents would require an English translation.
- **Rental agreements –** a copy of the rental agreement will be required for the in- country/jurisdiction process.
- **Occupation confirmation -** Landlord needs to provide a confirmation of property occupation.
- **Prior criminal records –** these can often result in a refusal of a residence permit.
- **Inconsistencies in documentation –** for example if there is a discrepancy in the name of the applicant as shown on their passport, degree or marriage certificates, the authorities may require further supporting documentation.

Back to top