



GMS Flash Alert



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South Korea - Update on Applying Flat Tax Rate for Foreign Workers

Effective from 1 January 2023, South Korea's tax law has been revised to expand the five-year election limitation of the flat tax rate that applies for foreign workers to 20 years.

WHY THIS MATTERS

Tax costs and budgets for inbound South Korean expatriates will likely be reduced by the extension of the flat tax rate. The changes described below should be considered when evaluating international assignment costs and budgets for assignees sent into and out of South Korea.

Applying the Flat Tax Rate: Then and Now

Prior to 1 January 2023, foreign nationals who began to first provide labor in South Korea ("Korea") were eligible to have the 19-percent flat tax rate (20.9 percent including local income tax) apply to their employment income, until the taxable **period that ends within five consecutive years** from the date the foreign national first provided labor in Korea. (For related coverage, see [GMS Flash Alert 2021-222](#), 25 August 2021.)

However, in accordance with the recent tax revision,¹ 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 20 consecutive years** from the date the foreign national first provides labor in Korea.

Clarity on Definition of Certain Terms

A recent tax ruling² defines ‘the date the foreign national first provides labor in Korea’ as follows:

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

KPMG INSIGHTS

All foreign employees can elect to apply the flat income tax rate to their employment income earned from year 2023, at least up to year 2033 if they are in a more advantageous position with the flat tax rate than the regular, progressive tax rate.

If a foreign national employee – or his/her employer – has questions about eligibility for claiming the flat tax rate versus being taxed according to the regular, progressive tax rates, and how the five-year election limitation expansion to 20 years affects him or her, that employee should contact his or her qualified tax professional or a member of the Global Mobility Services team in Korea (see the Contacts section).

FOOTNOTES:

1 Bill No. 조세특례제한법 제 18 조의 2(외국인근로자에 대한 과세특례) 제 2 항/ Act On Restriction Of Special Taxation, Article 18-2 (Special Taxation for Foreign Workers), Section 2. For the full text and history, see: [조세특례제한법 \(law.go.kr\)](http://law.go.kr) .

2 기획재정부 소득세제과-135 2023.02.21.

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Contact us

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