

SOUTH KOREA

As per 1 January 2018

EXPATRIATE AND EMPLOYER TAX COMPLIANCE AND ADVISORY

Personal Income Tax Rates – Employment Income

A foreign resident with global income in the relevant year has to file a tax return to the head of the competent district tax office in the same way, a progressive income tax rates from 6% to 42%, as a Korean resident.

Tax period

The taxable period for income tax is one(1) year, from Jan.1 to Dec. 31.

Tax residency / Domicile according to domestic law

1. Resident

In principle, a resident refers to an individual who has had his/her domicile in S.Korea or a place of residence in S.Korea for 183 days or longer. A taxpayer who falls under any of the following is deemed to have a domicile in S.Korea.

1) Where one has an occupation which requires him/her to reside in S.Korea for 183 days or longer.

2) Where one has his/her family members who share a livelihood in S.Korea and is deemed to reside in S.Korea for 183 days or longer due to his/her occupation or assets held in S.Korea.

2. Non-resident

A non-resident is liable to pay tax only on domestic-source income. Any individual other than a resident is a non-resident.

Tax registration

Not required.

Employment income definition

Employment income is meant to 'Wage and salary income'.

1) Salary, pay, remuneration, annual allowance, wage, bonus and other benefits received by offering labor

2) Income received as bonus pursuant to a resolution at a general meeting of shareholders or a general meeting of employees of a corporation or a deliberative body corresponding thereto

3) Income deemed bonus under the Corporate Tax Act

4) Compensation for invention received by an employee, etc. or a faculty member of a university

5) Income received due to retirement, which is not included in retirement income

Examples of tax exemption

Non-taxable wage and salary income and retirement income

1) Salary received by a soldier in service and persons mobilized according to laws

2) A benefit in the nature of compensation, reparation or consolation for an injury, etc. from the provision of labor

3) Tuition expenses of a wage and salary income earner who meets certain requirements

4) Payments in the nature of reimbursement for expenses actually incurred (day/night duty payment, travel expenses, uniforms, etc.)

5) Salary received by a foreigner who works for a foreign government or an international organization (e.g., the United Nations) designated by Presidential Decree. Under the principle of reciprocity, non-taxation shall apply only to foreign countries that do not impose income tax on pay received by Korean public officials working in the country.

6) Salary received for providing service overseas or in North Korea. The non-taxable ceiling shall be 1 million won per month (3 million won in the case of providing service in deep-sea fishing vessels, etc.).

7) Employer contributions prescribed by law

8) Allowance for overtime work, night-shift work, or holiday work received by a worker

	engaged in production with fixed monthly salary of 1.5 million won or less (the total salary of the immediately preceding taxable year should be 25 million won or less)
Specific expatriate concession	<p>In accordance with the Korean Special Tax Treatment Control Law, a foreign employee can elect one of the following two incentives:</p> <ol style="list-style-type: none"> 1) a flat tax rate of 19% with no tax exemption, deduction, and credit. 2) a progressive income tax rate. <p>*A foreign worker who chooses to apply the flat tax rate under the special taxation for foreign workers shall submit a report of income deduction and tax credit from wage & salary income and an application for flat tax rate for foreign employees to the competent tax office when he/she files a final return of global income tax base.</p>
Income of board members	Where a corporation pays bonuses to its executives in excess of the amount to be paid under the salary payment standards determined by the articles of incorporation or by resolution at the general meeting of shareholders, the general meeting of employees, or the board of directors, such excess shall not be included in deductible expenses on calculating the Corporate Income Tax.
Tax returns	<p>There are two filing deadlines:</p> <ol style="list-style-type: none"> 1) 10 March for salary and wage income earners (employer's responsibility) 2) 31 May for individuals earning global income.
Tax payments	<ol style="list-style-type: none"> 1) Withholding Tax When a withholding agent pays monthly wage and salary income, he/she shall withhold income tax according to the simplified tax withholding table for wage and salary income. 2) Year-End Tax Settlement of Amount of Wage and Salary Income Tax When a withholding agent pays wage and salary income for February of the year following the relevant taxable period or for the month in which a retiree retires, he/she shall withhold income tax as calculated in global income tax amount by applying the basic tax rate to the global income tax base.

TAX TREATIES

Employment income / income from board members	Art 15/16 Model OECD Tax treaties
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INTERNATIONAL SOCIAL SECURITY

Cross border employments	N/A
Exception under Art 16 of Reg. 883/2004 and Art 17 of Reg. 1408/71	N/A
Social Security Cost as % from gross salary and absolute amounts	<ol style="list-style-type: none"> 1. Social Security Insurance <ol style="list-style-type: none"> 1) Workers' compensation insurance ("WCI") against work-related accidents; 2) Health insurance ("HI") (or disability insurance ("DI")) against diseases and injuries; 3) Pension insurance ("PI") against serious disability, death, old age, etc.; 4) Employment ("EI") against unemployment. 2. The contributions [*Note: the contributions are assessed using various ceilings.] <ol style="list-style-type: none"> 1) PI – 9% of monthly standard income (Employer 50%, Employee 50%) 2) HI=(a)+(b) (Employer 50%, Employee 50%) <ol style="list-style-type: none"> (a) 6.46% of monthly standard income (b) (a)*8.51% 3) EI=(a)+(b)

(a) 1.3% of monthly standard income (Employer 50%, Employee 50%)
 (b) Employment stabilization project, occupational capability development: 0.25-0.85% (depending on company size, only for employer)
 4) WCI – Depending on company's industry
 3. Foreign Resident
 In case of the foreign resident, the social insurances will be applied depending on visa types, nationality etc.

IMMIGRATION

Work permit	Expatriates who require a work visa must apply for this before taking up employment in S. Korea. It is therefore important that the expatriate's employment contract and benefit package is structured in a tax-efficient manner before the contract is submitted to the Korean Immigration Department.
Visa	Under the requirements of the immigration authorities, expatriates taking up employment in S.Korea must apply for an employment visa before commencing employment. If the expatriate's spouse and dependent family relocate to S.Korea, they will require dependent visas. It should be noted that spouses entering Korea on dependent visas are not normally allowed to take up employment in Korea and must apply for a separate employment visa if they wish to work in S. Korea.
Residency permits / registration certificate	A foreigner may stay in Korea within the scope of his/her sojourn status and sojourn period. Foreigners staying in Korea for a period of 91 days or longer are subject to alien registration. To apply for alien registration, the necessary documents should be attached to the alien registration application form and submitted to the head of the immigration office having jurisdiction over the place of sojourn.
Driving license	It is not possible to drive in S.Korea with a foreign driving license only. However, people with a valid foreign driving license granted by the responsible government authority can request for an exchange of their driving license.
STOCK OPTION PLAN	Expatriate employees, residents for Korean tax purposes, who join the stock option plan of the foreign parent company, should report their relevant income of the difference between the fair market value and the purchasing price at the time of exercise thereof to the tax office.

ARTICLE 15 OF THE OECD MODEL

183 days	The days of physical presence will be accounted per calendar year, tax year or 12 month period (depends on tax treaty).
Notion of employer	Economic and formal employer
Existence of a permanent establishment	The definition of a permanent establishment is determined in the tax treaty

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