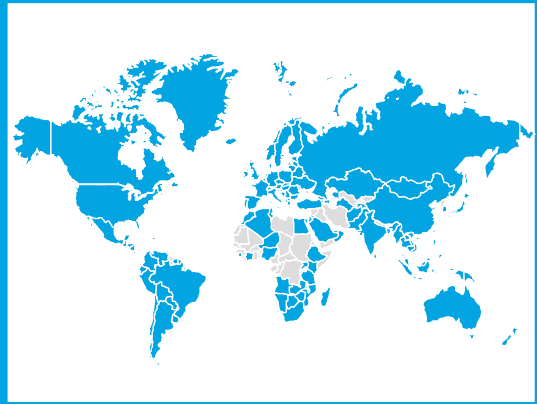


# INPATRIATES KOREA

## Tax facts for international assignees



### INCOME TAX: WHO IS LIABLE/RESIDENCY

Non-residents are taxed on income earned in Korea (i.e. Korean Source Income). This can include wages/salaries allocated to Korean workdays, rental income from Korean properties, and certain capital gains/losses on Korean-based assets.

Residents are taxed on worldwide income regardless of where it is earned or paid. If a foreigner is deemed as a resident, he/she is subject to income tax on all incomes derived from sources both within and outside of Korea (global income).

#### Taxation on Short Term Residents

The foreign-sourced income of a resident whose total residence period in Korea stood at 5 years or less over 10 years before the end date of the attributable taxable year is taxed in Korea only when it is paid in Korea or remitted to Korea.

Principally, a resident is any individual who has his/her domicile in Korea or a place of residence for 183 days or more in Korea. The domicile shall be judged by the objective facts of living relationship such as the existence of a family living together in Korea and of the property located in Korea. And the 'place of residence' means the place where a person has dwelt for a long time besides his address.

A Korean non-resident is any individual other than a resident who is liable to income tax on the income derived from sources within Korea.

#### Korean Domicile

A taxpayer meeting either of the following situations will be deemed to have domicile in Korea.

- An individual who has an occupation which would require him/her to reside in Korea for 183 days or more; or
- An individual who has his/her family in Korea and is likely to reside in Korea for 183 days or more in view of his/her occupation or assets held in Korea.

### Special Taxation for Foreign Employees

If a foreign executive or employee provided service in Korea for the first time on or before Dec. 31, 2021, the amount calculated by multiplying 19% to the relevant wage and salary income can be imposed as the tax amount, instead of the amount computed by applying the basic tax rate.

In such cases, provisions concerning income taxation, such as non-taxation, deduction, reduction or exemption, and tax credit shall not be applicable.

The effective period for special tax treatment is 5 years from the date of commencing work in Korea. When a foreign employee who started his/her work in Korea before 2013 is currently continuing his/her work despite the 5-year period expiring, the special taxation can be applicable to the end of 2018.

A person who has Korean citizenship as of the end of the relevant taxable year is not regarded as a foreign employee.

Any foreign worker who desires to be eligible for the application of the special taxation shall file an application and submit it to the withholding agent (or taxpayer's association) or the head of tax office having jurisdiction by attaching Report of Exemption and Deduction

## INCOME TAX RATES

Tax base	Tax rates
12 million won or less	6%
12-46 million won or less	720,000 won + 15% of the amount exceeding 12 million won
46-88 million won or less	5,820,000 won + 24% of the amount exceeding 46 million won
88-150 million won or less	15,900,000 won + 35% of the amount exceeding 88 million won
150-300 million won or less	37,600,000 won + 38% of the amount exceeding 150 million won
300-500 million won or less	94,600,000 won + 40% of the amount over 300 million won
Over 500 million won	174,600,000 won + 42% of the amount over 500 million won

## SOCIAL TAX RATES

There are 4 compulsory social insurances in Korea - employment insurance, industrial accident compensation insurance, national pension and health insurance.

These 4 compulsory insurances are borne by employers and employees who are each responsible for 50% of the compulsory contributions (in most cases). The contributions are calculated by multiplying the contribution rate by the standard monthly wage. Some of insurances are borne *only* by the employer.

The rate of each social insurance is as follows:

### Employment Insurance

- Employee: 0.8% of the total wage (unemployment benefit)
- Employer:
  - Unemployment benefit: 0.8%
  - Employment stabilization project + occupational ability development: 0.25 - 0.85%(depending on company size)

### Industrial Accident Compensation Insurance

- Employee: None
- Employer: 73/10,000 - 186.3/10,000 of total salary (depending on business category)

### National Pension

- Employee: 4.5% of standard monthly wage (Upper limit: KRW 218,700)
- Employer: 4.5% of standard monthly wage (Upper limit: KRW 218,700)

### Health Insurance

- Employee: 3.42% of standard monthly wage
- Employer : 3.42% of standard monthly wage

An individual may be exempt from social taxes in Korea if he/she is from particular foreign country. In cases where Korea has entered into a Totalization Agreement with an individual who remains employed by a company from that country, the individual may be exempt from Korean social taxes as well. In order to utilize this exemption, the company and individual should obtain a Certificate of Coverage from the home country.

For further information and to register for future updates contact [expat@bdo.global](mailto:expat@bdo.global)

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