A Guide to

Korean Taxation

2022

Ministry of Economy and Finance

PREFACE

Each year, the Korean government publishes *Korean Taxation* that introduces Korean tax laws reflecting tax reform of the corresponding year. This guide is a concise version of *Korean Taxation 2022*, which is a volume of 344 pages. This brochure broadly covers the key subjects in *Korean taxation* and provides fast and reliable answers to your questions with respect to Korean taxes.

For further details, please refer to *Korean Taxation* published by the Ministry of Economy and Finance at http://english.moef.go.kr or relevant legislation at http://law.go.kr.

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Part 1: Introduction

Chapter I: Tax System in Korea

Taxes in Korea comprise national and local taxes. National taxes are divided into internal taxes, customs duties, and three earmarked taxes; the local taxes include province taxes and city & county taxes as shown below.

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Local Taxes

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The national internal taxes consist of direct and indirect taxes and each consists of five internal taxes. Of these ten taxes, the Income Tax, Corporation Tax, and Value Added Tax make up the bulk of the Korean tax revenue. There also exist three national earmarked taxes, namely the Transportation·Energy·EnvironmentTax, Education Tax, and Special Tax for Rural Development; the revenues from these sources go directly to pre-designated government programs.

There are eleven local taxes, and they are divided into province and city & county taxes. At the province level, there are four ordinary taxes and two earmarked taxes. At the city & county level, there are five ordinary taxes. In the six large specially designated cities that are run as autonomous local administrative units (independent of the provinces they appertain to), the tax composition is slightly different from that of the provinces and cities or counties, although the residents are required to pay the same taxes.

A person is either a resident or a non-resident of Korea depending on residence or domicile. A resident is liable to income tax on items of income derived from sources both within and outside Korea. On the other hand, a non-resident is liable to income tax only on items of income derived from sources within Korea.

Under the income tax law, income earned by both residents and non-residents is subject to global and schedular taxation. Under global taxation, business income, wage and salary income, pension income and other income attributed to a resident are aggregated and taxed progressively. Interest and dividends are subject to tax withholding. Non-residents are similarly taxed on income from Korean sources. The tax rates on individual income range from 6 percent to 45 percent.

When a company is incorporated in Korea, it is deemed a domestic corporation and is liable to tax from worldwide income whereas a foreign corporation is liable to tax on Korean source income. The corporation tax rates are 10, 20, 22, and 25% percent. A foreign corporation without a permanent establishment in Korea is subject to withholding tax.

Part 2: National Taxes – Internal Taxes

Chapter II: Income Tax

1. Taxpayer

a. Resident

A person who has a domicile in Korea or has resided in Korea for 183 days or longer during one taxable period is subject to income tax on all income derived from sources both within and outside Korea. However, a resident who is not a Korean national and has a domicile or has resided in Korea for five years or less is subject to income tax on income paid within Korea or remitted to Korea in case the taxable income is derived from sources outside Korea

b.Non-resident

A person who is not a resident of Korea is deemed a non-resident and is subject to income tax only on income derived from sources within Korea.

2. Taxable Income

a. Taxable Income

Resident individuals are taxed on their worldwide income. Non-resident individuals are taxed only on Korean-source income.

b. Global and Schedular Income Taxation

Income derived by residents and non-residents is subject to global and schedular taxation. Under global taxation, business income, wages and salaries, pension income, and other income are aggregated and taxed progressively. A combined income of dividend and interest exceeding 20 million won is subject to global taxation. Currently, interest and dividends are subject to withholding tax of 14 percent. Under schedular taxation, capital gains and retirement income are taxed at varying tax rates.

* Other income includes the followings among others:

(1)Money or goods received from participation in a lottery, and any other prize won in a contest

(2) Money or goods received as a prize in a lottery, drawing, or any other contest, including the purse payable to the buyer of a winning ticket for horse racing, cycle racing, motorboat racing, bull fighting and sports betting game

(3) Money or goods for transfer or use of copyrighted materials received by any person other than copyright holders.

3. Tax Base and Deductions

a. Calculation of Taxable Income

Taxable income is computed as the sum of the following items of income:

(1) Interest

(a) Interest and discount amounts received during a tax year from debentures and securities issued by a nation's government/its local authorities, or a domestic/foreign corporation

(b) Interest and discount amounts received during a tax year from deposits and installment savings payable both within and outside Korea

(c) Interest from non-commercial loans

(d) Savings-type insurance premiums with a maturity of less than ten years

(e) Other similar incomes as compensation according to spending money

(2) Dividends

(a) Dividends and distributions of profits and retained earnings, and distribution of interest received from a domestic or foreign corporation during construction

(b) Distributions of profits received from a non-corporate entity such as private associations or foundations

(c) Deemed dividends and distributions

(d) Amounts designated as dividend by the Corporation Tax Law

(e) Dividend-yielding financial assets

(f) Other similar incomes as an income distribution

(3) Business income

The total amount of income in each taxable period remaining after the deduction from gross profits of allowable expenses and losses carried-over from the previous 10 years(if incurred before Jan 1, 2020) or 15 years(if incurred after Jan 1, 2020)

(4) Wage and salary income

The total amount of income remaining after the deduction as specified in the table below: used to calculate the tax base for wage and salary income after the deduction described herein has been made for that taxable period

Deductions for wage and salary income (150,000 won per day for a daily worker), as computed in the table below with the deduction ceiling of 20 million won.

Wages and salary income①	Deductions
5 million won or less	70% of ①
5 - 15 million won	3.5 million won + 40% of ① exceeding 5 million
15 - 45 million won	7.5 million won + 15% of ① exceeding 15 million won
45-100 million won	12 million won + 5% of ① exceeding 45 million won
Over 100 million won	14.75 million won + 2% of ① exceeding 100 million won

(5) Pension Income

The total amount of income remaining after the deduction as specified in the table below with the deduction ceiling of 9 million won

Pension income	Deductions
3.5 million won or less	Pension income amount in full
3.5- 7 million won	3.5 million won +40% of pension exceeding 3.5 million won
7- 14 million won	4.9 million won + 20% of pension exceeding 7 million won
Over14 million won	6.3 million won + 10% of pension exceeding 14 million won

(6) Retirement income

The taxable income is calculated according to the following formula:

① Retirement income – an amount determined based on the length of service*

(Basic deduction: abolished)

②(① x 12) ÷ service year

③② –an amount determined based on the converted salary**

*Amount determined based on the length of service:

Service year	Deductions
5 years or less	300,000 won per year
5-10 years	1.5 million won + 500,000 won × (service year- 5)
10-20 years	4 million won + 800,000 won × (service year -10)
Over 20 years	12 million won+1,200,000won × (service year - 20)

**Amount determined based on the converted salary:

Converted salary	Deductions
8 million won or less	100% of converted salary
Over 8 million – 70 million won or less	8 million won + (60% of the excess amount over 8 million won)
Over 70 million – 100 million won or less	45.2 million won + (55% of the excess amount over 70 million won)
Over 100 million – 300 million won or less	61.7 million won + (45% of the excess amount over 100 million won)
Over 300 million won	151.7 million won + (35% of the excess amount over 300 million won)

(7) Capital gains

Gains arising from the transfer of land, buildings, or rights thereon, stocks, and other assets specifically enumerated in the Income Tax Law shall be taxed separately from global income. This separation was created to stabilize real estate prices and for tax purposes.

Capital gains may be classified into the following three categories:

(a) Gains arising from the transfer of land or buildings.

(b) Gains arising from the transfer of rights to real estate such as surface rights, leaseholds, or rights to acquire real estate; or

(c) Gains arising from the transfer of stocks

Income generated from transferring any of the following assets (hereinafter referred to as "other assets"):

a) Business rights transferred with fixed assets for business

b) Rights to use, membership, and other rights, irrespective of their nomenclature, to use facilities issued to a person becoming a member of an organization contracted to be entitled to exclusively use the facilities or to use them on more favorable conditions than general users

c) Specified Stocks (where an oligopolistic stockholder of a corporation, 50% or more of whose values come from ownership in real estate, etc., transfers more than 50/100 of its stocks to a person, other than himself or herself)

d) Stocks of a corporation, 80% or more of whose values are ownership in real estate, such as country club, ski resort, resort condominium, specialized resort facility

Gains on transfer and the amount of capital gains are calculated as follows:

Gains on transfer = Selling price - Necessary expenses

Amount of capital gains = Gains on transfer - Special deduction for long-term possession of land and buildings - Capital gains deduction

Necessary expenses include acquisition costs, costs of installations or improvements, and other capital expenditures.

Special deductions for long-term holding of land or building are calculated as follows:

(a) In the case of the transfer of land · building in general

※ Special deductions for the long-term holding of land are not allowed for unregistered assets and a multiple home owner within an area subject to adjustment.

Holding period	Deduction rate	Holding period	Deduction rate
3 years - less than 4 years	6/100	10 years - less than 11years	20/100
4 years - less than 5 years	8/100	11 years - less than 12years	22/100
5 years - less than 6 years	10/100	12 years - less than 13years	24/100
6 years - less than 7 years	12/100	13 years - less than 14years	26/100
7 years - less than 8 years	14/100	14 years - less than 15 years	28/100
8 years - less than 9 years	16/100	More than 15 years	30/100
9 years - less than 10 years	18/100		

(b) In the case of the transfer of a house per a household

Holding period	Deduction rate	Residing period	Deduction rate
3 years ~ less than 4 years	12/100	2 years ~ less than 3 years (Limited to more than 3 years of holding period)	8/100
		3 years ~ less than 4 years	12/100
4 years ~ less than 5 years	16/100	4 years ~ less than 5 years	16/100
5 years ~ less than 6 years	20/100	5 years ~ less than 6 years	20/100
6 years ~ less than 7 years	24/100	6 years ~ less than 7 years	24/100
7 years ~ less than 8 years	28/100	7 years ~ less than 8 years	28/100
8 years ~ less than 9 years	32/100	8 years ~ less than 9 years	32/100
9 years ~ less than 10 years	36/100	9 years ~ less than 10 years	36/100
10 years or more	40/100	10 years or more	40/100

A capital gains deduction of 2.5 million won per year is given without regard to the amount. However, capital gain deduction is not allowed for unregistered real estate.

(8) Other income

The aggregate amount of income of this category less necessary expenses; remuneration from an independent lecture allows a deduction of 60% thereof as necessary expenses.

b. Exemptions and Deductions Related to Global Income

There are five exemptions or deductions related to global income.

(1) Basic Exemptions

Residents with global income are entitled to annually deduct an amount equivalent to 1.5 million won multiplied by the number of persons in the taxpayer's family.

(2) Additional Deductions

A resident eligible for basic exemption and who belongs to any of the following classes may also deduct 1 million won (b: 2 million won, c: 500,000 won) per year from his/her global income:

(a) A person who is 70 years or older

(b)The disabled, as prescribed by the Presidential Decree

(c)A female with a spouse or a female head of family with dependents (a person whose global income amount is not more than 30 million won)

(d) A single parent with lineal descendants or adopted children who are eligible for basic exemption*

* Overlapping deductions for (c) and (d) are not allowed. If a resident belongs to both of the classes, he/she shall be deemed to belong to class (d) only.

(3) Special Deductions

Wage and salary income earners may deduct an amount equal to the sum of necessary expenditures from their income of wage, salary, etc. during the taxable year.

* Necessary expenditures: national pension contributions, medical insurance premiums, employment insurance premiums paid, etc.

4.Tax Rates and Credits

a. Tax Rates

(1) The amount of income tax on global income is calculated by applying progressive marginal tax rates to respective tax base, and may be determined by using the following table.

(2) Table of Basic Tax Rates

Tax Base of Global Income	Tax Rate
Not more than 12 million won	6% of tax base
12 - 46 million won	0.72 million won + 15% of the excess over 12 million won
46– 88 million won	5.82 million won + 24% of the excess over 46 million won
88–150 million won	15.90 million won + 35% of the excess over 88 million won
150 – 300 million won	37.6 million won + 38% of the excess over 150 million won
300 – 500 million won	94.6 million won + 40% of the excess over 300 million won
500 million won – 1 billion won	174.6 million won + 42% of the excess over 500 million won
Over 1 billion won	384.6 million won + 45% of the excess over 1 billion won

(3) The tax amount of retirement income is calculated by applying the basic tax rates as indicated in the table above to the tax base for retirement income and dividing the amount by 12, and again multiplying the amount by the number of years of service.

(4) Tax rates on capital gains are as follows:

(a) Real estate and rights thereto (basic tax rates applicable)

i) Property held for at least 2 years (house and the residential right of an association member held for at least 1 year): basic tax rates applicable

ii) Other Properties: applicable to various tax rates depending on holding period or location, etc.. Higher tax rates than the basic tax rates apply to other properties.

(b) Stocks

Capital gains		Tax rate
i)	Stocks, etc. transferred by majority stockholders and held for less than one year	30%
ii)	Stocks, etc. transferred by majority stockholders, other than those referred to in i) above	20% for the tax base 300 million won and under, 25% for over 300 million won
iii)	Stocks, etc. transferred by any person other than majority stockholders, which is of small and medium enterprises	10%
iv)	Stocks, etc. transferred by any person other than majority stockholders, except those referred to in iii) above	20%

(5) Foreign employees and executives may elect to applythe rate of 19 percent on their salaries (various non-taxation/exemption schemes not applicable).

b. Tax Credit

(1) Tax credit for dividend income

Where dividend income of a resident received from a domestic corporation is included in global income, the amount calculated as below is deducted from the global income tax amount.

(a) 11/100 of the dividend income is added to the amount of dividend actually received by the shareholder.

(b) This figure is used in calculating the individual income tax amount of the shareholder.

(c) Thereafter, the amount (11/100 of the dividend income) added to the amount of dividend calculated in (a) above, is credited against the individual income tax amount calculated in (b) above.

(2) Foreign tax credit

Where a resident has paid or is to pay income tax in a foreign country, the lesser of the foreign tax amount paid/payable or the foreign tax credit limit is deducted from the amount of Korean income tax accrued. This limit is an amount equivalent to that of the income tax owed without the application of this credit, multiplied by the ratio of income from foreign sources to total taxable income. The calculation of such limit is made by reference to foreign source income received from each foreign jurisdiction.* If the foreign tax amount paid or payable exceeds this limit, the excess portion may be carried forward to the next 5 tax years.

* Before the tax code revision in 2014, taxpayers were allowed to opt between the country-by-country limit calculation method explained above and the method of aggregating all foreign source income received from all foreign jurisdictions. Through the 2014 tax change, however, only the country-by-country method is now available, with the other option having been abolished.

(3) Tax credit for casualty loss

When a resident loses 20 percent or more of the total value of his business assets from one or more disasters, an amount equal to the tax due without application of this credit times the ratio of the value of the lost assets over the total value of assets owned prior to a disaster is subtracted from the amount of tax due in the year of the disaster(s) (limited to the value of loss caused by casualty).

(4) Special tax credit for wage and salary income

The credit amount available for wage and salary income earners shall be calculated as the following table shows.

<table>
<tr><th>Calculated Tax Amount</th><th colspan="2">Credit Amount</th></tr>
<tr><td>1.3 million won or less</td><td colspan="2">55% of a global tax amount</td></tr>
<tr><td rowspan="5">Over 1.3 million won</td><td colspan="2">715,000 won + 30% of the excess over 1.3 million won</td></tr>
<tr><th>Total wage and salary income</th><th>Ceiling on credit amount</th></tr>
<tr><td>33 million won or less</td><td>740,000 won</td></tr>
<tr><td>70 million won or less</td><td>The greater of 660,000 won and 740,000 won – [(total wage and salary income − 33 million won) × 8/1,000]</td></tr>
<tr><td>Over 70 million won</td><td>The greater of 500,000 won and 660,000 won– [(total wage and salary income – 70 million won) × 50%]</td></tr>
</table>

(5) Child tax credit

(a) Where a resident with global income has children (including adoptees and children under foster care) from the age of 7 who are eligible for the basic deduction, he/she receives annual tax credit of 150,000 won for having a child, 300,000 won for having two children, and 300,000 won plus 300,000 won per an excess child over two in case of having three or more children.

(b) Where a resident with global income gives birth to or adopts children, he/she receives annual tax credit equivalent to i) 300,000 won for the first child born or adopted, ii) 500,000 won for the second child born or adopted, iii) 700,000 won for the third or subsequent child born or adopted.

(6) Credit for pension account contributions

A resident with global income who paid contributions to a pension account may deduct the amount equal to 12% of the contributions paid from his/her global income tax amount, only up to 4 million won in case where the contributions paid to a pension savings account exceed 4 million won per year, and only up to 7 million won in case where the sum of contributions paid to a pension savings account amounting to no more than 4 million won and contributions paid to a retirement pension account exceed 7 million won per year.

A resident with global income not exceeding 40 million won or a resident earning only wages and salaries not exceeding 55 million won may deduct the amount equal to 15% of the contributions paid from his/her global or wage and salary income tax amount subject to the same ceiling as above.

(7) Special tax credit

(a) Only applicable to residents with wage and salary income

15% of the medical and educational expenses, 30% of the treatment cost for infertility of a married couple, 20% of the medical expenses for the treatment of premature baby and congenital abnormality, 12% of the insurance premiums (for the disabled, 15%) and 10% of the monthly rent payment are deducted as tax credit and 12% for persons with 55 million won or less in gross pay

(b) Credit for donation

15% of the amount of donation (in case of the donation exceeding 10 million won, 30% of the excess over 10 million won) is deducted.

(8) Standard Credits

Alternatively, a taxpayer may elect to choose an annual standard credit of 70,000 won* (120,000 won for business owners meeting certain requirements* and 130,000 won for wage and salary earners), if they fail to claim deductions and credits in question.

*Only if he or she accrues only global income without any wages or salaries earned.

5. Withholding Tax

a. Tax Withholding Obligation

A person paying interest, dividends, business income prescribed by the Presidential Decree, earned income, pension income, retirement income, or other income is required to withhold income tax due thereon at the time of such payment, and to pay it to a district tax office by the tenth day of the following month.

However, a businessman who has less than twenty employees on average at the end of every month of the preceding taxable period may pay taxes withheld to a district tax office by the tenth day of the following month each half-year, after obtaining the approval of the head of the district tax office.

◦ Withholding rates are as follows:

(1) Interest income

(a)Interest from non-business loans: 25%

(b)Other interest: 14%

(2) Dividend income: 14%

(3) Business income from personal services and medical or health services which are exempt from VAT: 3% of total revenue

(4) Wage and salary

(a) Tax rates: the basic tax rates applicable to global income

(b) Simplified tax table: If wage or salary is paid monthly, the tax amount to be withheld is calculated by the "Simplified Tax Table" attached to the end of the Income Tax Law.

(c) Year-end adjustment: A person subject to tax withholding must calculate the total annual tax amount in February of the following year or at the time of the last payment of income in the year (i.e., when the income earner completes employment during the year) and collect or refund the difference between the tax amount payable and the total annual tax amount. This amount is calculated by applying the basic tax rates and the tax amount withheld, which is explained in the "Simplified Tax Table."

(d) Application for personal exemption: wage and salary income earners who are entitled to personal exemptions must submit an application for such exemptions, together with documentary evidence in support thereof, to the withholding agent before receiving wage and salary income for February of the following year.

(e) Daily wage: Tax is withheld from the wages of day laborers at a rate of 6 percent.

(5) Pension income:

(a) National pension, government employee pension: basic tax rates

(b) Retirement pension, private pension (private pension cancellation owing to unavoidable circumstances are subject to taxation on pension income)

Category		**Tax rate**
Age	younger than 70	5%
	70 – younger than 80	4%
	80 or older	3%
Life annuity		4%

* If a resident belongs to two or more categories, the lowest applicable rate is applied.

(c) With respect to the pension income to be received as retirement income under Article 20-3 (1) 2 (a), the following withholding tax rate for the non-pension payments is applied:

i) 70% if the actual period of receipt is 10 years or less

ii) 60% if the actual period of receipt is longer than 10 years

(6) Retirement income: basic tax rates

(7) Other income:

(a) Where the amount of income (such as lottery prize, money received by participating in acts using slot mashines, etc.) exceeds 300 million won, 30% of such excess

(b) Private pension cancellation: 15%

(c) Other income: 20%

6. Non-Resident Income Taxation

a. General

(1) A non-resident is liable to tax on income derived from sources within Korea. Two methods of taxation are applied: global taxation and separate taxation. Global taxation is applied to non-resident taxpayers who have a place of business in Korea or those with income from real estate located in Korea (excluding capital gains from the transfer of land or buildings, to which scheduler taxation is applied).

All domestic source income is subject to global taxation, except for severance pay and capital gains, all of which are taxed in the same manner, with some exceptions, as they would be if earned by a resident. Withholding taxation is applied to each domestic item of income of non-residents who do not have a place of business in Korea and do not have income from real estate located in Korea.

(2) A non-resident's tax address is the domestic business place. In the case of a non-resident who has no domestic business place, its tax address will be the place where such income is derived.

b. Tax Withholding on Non-Residents

(1) Unless otherwise provided in an applicable tax treaty, persons paying an amount of income from domestic sources to non-residents (excluding capital gains from real estate, wage & salary income, pension income or retirement income derived by non-resident individuals which are subject to the same taxation rules as those applicable to each of the four income items derived by resident individuals) not attributable to a domestic business place, shall withhold as income tax at source of the income the applicable amount enumerated below. The tax withheld must be paid to the government by the 10th day of the month following the month in which such tax was withheld.

(a) Income from lease of vessels, aircraft, etc., and business income: 2% of the amount payable

(b) Personal service income: 20% of the amount payable*

* Actual reimbursement of airfare, accommodation fees or meal expense is excluded from personal service income. Despite the separate taxation provisions on personal service income, the taxpayer may also elect to include income from the rendering of personal service less such amount reimbursed in domestic-source income when filing his/her income tax return in Korea.

(c) Interest income*, dividend income, royalty, and other income: 20% of the amount payable

* Interest derived from bonds issued by the State, local authorities and domestic companies is subject to 14 percent of withholding tax rate.

(d) Capital gains from the transfer of land or buildings: 10% of the amount payable. However, if the purchase price of the transferred asset can be readily confirmed, the amount of tax withheld at source shall be the lesser of 10% of the amount payable or 20% of an amount remaining after deducting the acquisition value from gains.

(e) Gains from the transfer of securities or shares: 10% of the amount payable. However, if the purchase price of the securities or shares can be readily confirmed, the amount of tax withheld at source shall be the lesser of 10% of the amount payable or 20% of an amount remaining after deducting the acquisition value from gains.

If the securities or shares are transferred through a investment trader or investment broker under the Capital Market and Financial Investment Services Act, the trader or broker shall withhold the income tax and pay it to government at the tax office with jurisdiction over the domestic corporation (or the domestic business place of the foreign corporation) that issued the securities or shares.

In case where the securities or shares are transferred through publicly recognized stock exchanges and the holdings of the nonresident transferor together with his specially-related persons are less than 25% of the total shares issued by or the total investment in a Korean company (the total shares or interest listed or registered on publicly recognized stock exchanges in Korea in the case of shares or interest issued by a foreign company) at all times in the year of such transfer and during the 5 years prior to the year, the capital gains from such transfer are non-taxable.

In case where the non-resident hold securities or shares through a partnership, whether the non-resident passes the 25 percent shareholding test or not will be determined based on the partnership's shareholding in the domestic company concerned rather than based on the non-resident's shareholding.

(f) If a non-resident transfers securities of the same issue with different acquisition costs through a securities company, the company shall compute the acquisition value of the securities sold by using the moving average method.

(g)virtual assets income: 10% of the amount payable. However, if the purchase price of the virtual assets can be readily confirmed, the amount of tax withheld at source shall be the lesser of 10% of the amount payable or 20% of an amount remaining after deducting the acquisition value from gains.

(2) If a non-resident engages in a construction, installation, assembly project, or performs supervisory services related thereto on a short-term basis in Korea, the Korean resident paying for such services shall withhold income tax at source. However, if such non-resident registers its permanent establishment with the appropriate tax office, the payer will not be required to withhold and pay the tax.

(3) If a resident of Korea pays a non-resident who is engaged in the operation of vessels or aircraft in international transportation and who is not deemed to have a place of business in Korea, the resident shall withhold tax on the Korean-source portion of the amount paid.

(4) If a person subject to tax withholding pays tax withheld at source after the lapse of the payment period, has not paid the tax within the period, or has not withheld the tax at source, he or she shall pay a penalty tax of up to 10% of the tax amount unpaid or not withheld.

(5) Non-resident individuals deriving in Korea income from lease of vessels or aircraft, business income, personal service income, wage & salary income, retirement income, royalties or capital gains from securities (interest and dividends excluded) or their withholding agent who submitted a wage and tax statement within the statutory deadline may request a reassessment of the tax base and the tax amount within 3 years from the end of the deadline.

Chapter III: Corporation tax

1. Taxpayer

Companies subject to corporation tax in Korea can be classified into two types: domestic or foreign and for-profit or non-profit. For tax purposes, a company with its head or main office or place of effective management in Korea is deemed to be a domestic company and is liable to tax on its worldwide income. Otherwise, it is considered to be a foreign company, and the tax liabilities of foreign companies are limited to Korean-source income.

a. Domestic Corporation

(1) A corporation with its head or main office or place of effective management in Korea is liable to corporation tax on its worldwide income. Domestic corporations are categorized into two types: for-profit and non-profit.

(2) A for-profit domestic corporation is liable to tax on the following items of income:

(a) All items of ordinary business income including income from the transfer of real estate property

(b) Liquidation income: income realized upon liquidation of the business due to a cessation of the company as a taxable entity

(3) For a non-profit domestic corporation, the following items of income are taxable:

(a) Income from profit-making businesses under the Korean Standard Industrial Classification

(b) Interests

(c) Dividends

(d) Capital gains from the transfer of stocks, preemptive rights, or shares

(e) Capital gains from the transfer of fixed assets not used directly for nonprofit businesses

(f) Gains from the transfer of bonds and debentures

b. Foreign Corporation

(1) When a corporation has its head or main office located in a foreign country, only its income from domestic sources is subject to corporation tax (only if the corporation has no place of effective management in Korea); however, income from the liquidation of such corporation is not taxable.

(2) For non-profit foreign corporations such as foreign governments or local governments and non-profit corporations, no corporation tax is assessed on income other than that from profit making businesses in Korea.

2. Taxable and Non-Taxable Income

a. Taxable Income

The corporation tax is assessed on the following income:

(1) Income during each business year, including income from the transfer of real estate

(2) Liquidation income (non-profit domestic and foreign corporations are exempted)

(3) Corporate retained earnings that have not properly flown into the household income through increase in wages and investments (applicable until 2022, in the form of the Special Taxation for Promoting Investment, Co-existence, and Cooperation to large corporations with an excess of 50 billion won in equity capital and corporations that are members of an enterprise group subject to restrictions on cross-shareholdings)

For the purpose of calculating such retained earnings, taxpayers may choose either method A or B (and changing from method B to A is allowed):

A: [income x 70%] – (investment +employee wage increase + spending aimed at promoting mutual growth)

B: [income x 15%] – (employee wage increase + spending aimed at promoting mutual growth)

b. Non-taxable Income

Corporation tax is not levied on income derived from property of public welfare trusts; it does not matter whether the application for non-taxation is submitted or not.

3. Tax Base

a. Income during Each Business Year

The income of a domestic corporation during each business year is the amount remaining after deducting the gross amount of losses from the gross amount of gains in the same business year.

b. Calculation of Tax Base

(1) The basis for corporation tax on the income of a domestic corporation for each business year shall be the income for each business year remaining after the successive deductions of the following items:

(a) Amount of deficits carried forward from the previous:

i) 15 years if incurred after January 1, 2020

ii) 10 years if incurred before January 1, 2020

iii) 5 years if incurred before December 31, 2008

* Deduction is allowed to the extent of 60% of the income for the relevant business year (this cap shall not apply to SMEs and corporations prescribed by the Presidential Decree).

(b) Non-taxable income in accordance with the Corporation tax Law and other relevant laws

(c) Deductible income in accordance with the Corporation tax Law and other related laws

(2) However, the deductible amount specified in Paragraph (1) shall not exceed the amount of income for each business year. In the case of a corporation in deficit, the said amount of deduction shall not apply.

(3) Provisions concerning the calculation of taxable amount of income for the purpose of corporation tax shall be applicable in accordance with the actual details of the transactions.

4. Tax Rates and Credits

a. Tax Rates

(1)A business year commencing during the period between January 1, 2010 and December 31, 2011

(a) Tax base of 200 million won or less: 10%

(b) Tax base over 200 million won: 20 million won + 22% of the excess over 200 million won

(2) A business year commencing on or after January 1, 2012

(a) Tax base of 200 million won or less: 10%

(b) Tax base between 200 million won and 20 billion won: 20%

(c) Tax base over 20 billion won: 22%

(3) A business year commencing on or after January 1, 2018

(a) Tax base of 200 million won or less: 10%

(b) Tax base between 200 million won and 20 billion won: 20%

(c) Tax base between 20 billion won and 300 billion won: 22%

(d) Tax base over 300 billion won: 25%

(4) Where a business year is less than one full year, the tax amount is computed as follows:

Tax Amount = (Tax Base X 12/NMBY) X Tax Rate X (NMBY/12), where NMBY = number of months of business year

(5) Businesses that have not spent a certain amount of their corporate retained earnings on investments, wage raises and dividend payments are subject to an additional corporate tax at a rate of 20%.

b. Tax Credits

(1) Foreign tax credit

(a) Where a domestic corporation has paid or is liable to pay foreign corporation tax abroad, the lesser of the foreign tax amount paid/payable or the foreign tax credit limit is deducted from the amount of the corporation tax. This limit is an amount equivalent to that of the corporation tax owed without the application of this credit multiplied by the ratio of income from foreign sources to total taxable income. The calculation of such limit is made by reference to foreign source income received from each foreign jurisdiction.* If the foreign tax amount paid or payable exceeds the prescribed creditable limit against the corporation tax payable for the year, the excess portion may be carried forward to the next 10 tax years.

*Before the tax code revision in 2014, taxpayers were allowed to opt between the country-by-country limit calculation method explained above and the method of aggregating all foreign source income received from all foreign jurisdictions. Through the 2014 tax change, however, only the county-by-country method is now available, with the other option having been abolished.

(b) The foreign tax paid by a qualifying subsidiary is eligible for foreign tax credit against the dividend income of a parent company. A qualifying subsidiary is one in which a domestic corporation owns 25% or more of its shares for at least 6 consecutive months as of the date of dividend declaration.

(c) When income from foreign sources earned by a domestic corporation is exempt from tax in a source country, nevertheless, the exempted amount of income will be taken into account in calculating the foreign tax credit to the extent that the relevant tax treaty allows.

(2) Tax credit for loss caused by disaster:

Where a domestic corporation is deemed to have difficulties in paying tax because it has lost 20 percent or more of the total value of its assets due to a natural disaster, a tax amount equivalent to the ratio of the value of the asset loss to the value of total assets is deducted from corporation tax. The amount of tax credit available is limited to the value of the asset loss caused by disaster.

5. Withholding Tax

A person paying the following income to a domestic corporation is required to withhold corporation tax on the income at the prescribed tax rates at the time of such payment, and pay it to the government by the 10th of the following month.

(1) Interest income

(a) Interest prescribed by the Income Tax Law: 14%

(b) Interest from a non-commercial loan: 25%

(2) Distribution of profit from securities investment trusts: 14%

* If a trust fund receives interest income and a discounted amount on debentures or securities, it should be treated as a corporation with respect to tax withholding.

6. Taxation of Foreign Corporation

a. General

(1) A foreign corporation is liable to corporation tax only on income derived from sources within Korea. However, no corporation tax is levied on the liquidation income of a foreign corporation.

Corporation tax on income from domestic sources by a foreign corporation is assessed and collected in the same manner, with some exceptions, as that applied to a domestic corporation. With respect to the income from domestic sources by a foreign corporation which has no domestic permanent establishment, the full amount of corporation tax withheld thereon at source is payable to the government.

(2) Some provisions of tax laws with respect to calculation of taxable income and tax amount, assessment, collection tax withholding, and reporting for domestic corporations are applicable *mutatis mutandis* to foreign corporations having a domestic place of business. However, any special provisions regarding foreign corporations are preferentially applied thereto.

b. Tax Rates, Returns, Payment, Determination, Adjustment, and Collection

(1) Tax rates

Corporation tax on the income for each business year of a foreign corporation which has a domestic business place or real estate income is calculated by applying the same tax rates as those applicable for a domestic corporation on the tax base.

(2) Return, payment, determination, adjustment and collection

(a) With respect to tax return filing, tax payment, determination, adjustment, and collection of corporation tax on the income for each business year of a foreign corporation with a domestic business place or real estate income, some provisions for a domestic corporation are also applicable *mutatis mutandis.*

(b) Where a foreign corporation that is required to file a return on its tax base is unable to do so within the return period due to the following reasons, it may extend the return period with the approval from the government. To extend the return period, it should submit an application for the extension to the head of the district tax office within 60 days after the end of the taxable year.

i) Disasters and any other unavoidable occurrences

ii) Failure to finalize the settlement of accounts at the head or main office

(c) The tax payment location of a foreign corporation with a domestic business is the place of its business or that of relevant real estate within Korea.

(3) Foreign companies deriving in Korea income from lease of vessels or aircraft, business income, personal service income, wage & salary income, retirement income, royalties or capital gains from securities (interest and dividends excluded) or their withholding agent who submitted a wage and tax statement within the statutory deadline may request a reassessment of the tax base and the tax amount within 3 years from the end of the deadline.

c. Tax Withholding on Foreign Corporation

(1) Withholding Rate

(a) A person paying an amount of income from domestic sources to foreign corporations (except foreign corporations having capital gains from real estate which is subject to the same taxation rule as that applicable to capital gains from real estate derived by domestic company) not attributed to a domestic business place shall withhold as corporation tax at the source of income an amount enumerated as follows upon making the payment, and pay it to the government by the tenth day of the following month.

i) Business income and income from lease of vessels, aircraft, etc.: 2% of the amount payable

ii) Personal service income: 20% of the amount payable

*Actual reimbursement of airfare, accommodation fees or meal expense is excluded from personal service income. Despite the separate taxation provisions on personal service income, the taxpayer may also elect to include income from the rendering of personal service less such amount reimbursed in domestic-source income when filing his/her income tax return in Korea.

iii) Interest income*, dividend income, royalties, and other income: 20% of the amount payable

* Interest derived from bonds issued by the State, local authorities and domestic companies is subject to 14 percent of withholding tax rate.

iv) Gains from the transfer of land or buildings: 10% of the amount payable (However, if the purchase price of the transferred asset can be readily confirmed, the amount of tax withheld at source is 10% of the amount payable or 20% of an amount remaining after deducting the acquisition value from gains, whichever is less.)

v) Gains from the transfer of securities or shares: 10% of the amount payable (However, where the acquisition value of securities or shares can be confirmed, the amount of withholding tax at source is 10% of the amount payable or 20% of an amount remaining after deducting the acquisition value from gains, whichever is less.)

vi) Gains from virtual assets: 10% of the amount payable (However, where the acquisition value of virtual assets can be confirmed, the amount of withholding tax at source is 10% of the amount payable or 20% of an amount remaining after deducting the acquisition value from gains, whichever is less.)

(2) Tax Withholding by Agent

(a) In the case where securities or shares are transferred to a foreign corporation through a securities company, the securities company shall withhold the corporation tax and pay it to the government at the residence place of the domestic corporation (or the domestic business place of the foreign corporation) which issued the securities or shares.

(b) If a foreign corporation transfers securities of the same issue whose acquisition costs are different, a securities company shall compute the acquisition value of the securities sold by using the moving average method.

(c) Any person paying an amount of income from domestic sources (limited to business income, personal service income, interest income, and royalties) with a foreign loan to any foreign corporation having no domestic business place shall withhold tax at the source at the time the income is paid under the payment terms of the contract, even in the case where he or she does not directly pay such an amount of income under the terms of the contract in question.

(d) Where an agency in Korea of foreign corporation, operating vessels or aircraft in services abroad that do not come under a domestic business place, pays the foreign corporation income from the service of vessels or aircraft navigating overseas, it shall withhold tax on the income earned by the corporation from domestic sources.

(e) Where a person subject to tax withholding pays the corporation tax withheld at source after the lapse of the payment period, has not paid the tax within the period or has not withheld the tax at source, he or she shall pay a penalty tax of up to 10% of the tax amount unpaid or not withheld.

(f) Where a foreign corporation engages in construction, installation, assembly projects, or supervisory services in Korea, it is subject to withholding tax for income arising from these enterprises if the foreign corporation is not registered with the appropriate tax authority.

Chapter IV: Inheritance & Gift Tax

1. Inheritance Tax

a. Taxpayer

(1) A person or a non-profit organization that acquires property through inheritance or bequest is liable to the Inheritance Tax.

(2) A for-profit company is exempt from the Inheritance Tax.

b. Tax Base

(1) From the date of the commencement of the inheritance, the followings are deemed as taxable inheritance or bequest:

(a) Inherited or bequeathed property

(b) Bequeathed property transferred upon the death of the bequeathed

(c) Property donated to the inheritor within ten years of the date of the commencement of the inheritance

(d) Property donated to legal persons other than the inheritor within five years of the date of the commencement of the inheritance

(2) The inheritance tax covers:

(a) All property bequeathed by a resident

(b) All property in Korea inherited or bequeathed by a non-resident

c. Tax Rates

Tax base	Tax rates
Not more than 100 million won	10%
100 - 500 million won	10 million won + 20% of the excess over 100 million won
500 million - 1 billion won	90 million won + 30% of the excess over 500 million won
1 - 3 billion won	240 million won + 40% of the excess over 1 billion won
Over 3 billion won	1.04 billion won + 50% of the excess over 3 billion won

2. Gift Tax

a. Taxpayer

(1) Resident donee is obligated to pay gift tax.

(2) Non-resident donee is obligated to pay gift tax on assets in foreign financial accounts including checking and savings accounts and shares of foreign corporations whose property in Korea is 50% or more of their total property as well as the property acquired in Korea.

(3) Where a donee is a for-profit company, it is exempt from gift tax.

b. Tax Base

(1) The following may serve as the tax base for a donee's gift property:

(a) All gift properties that may be changed to certain monetary or economic forms

(b) The economic value of legal and actual rights to the gift property.

c. Exclusions

(1) Property given by the central government or local governments

(2) Property donated to political parties

(3) Gifts of moderate value (i.e., for medical care and relief)

(4) School fees, scholarships, etc., paid for as a gift

(5) Property donated to the central government or local governments

d. Tax Rates

Tax base	Tax rates
Not more than 100 million won	10%
100 - 500 million won	10 million won + 20% of the excess over 100 million won
500 million - 1 billion won	90 million won + 30% of the excess over 500 million won
1 - 3 billion won	240 million won + 40% of the excess over 1 billion won
Over 3 billion won	1.04 billion won + 50% of the excess over 3 billion won

Chapter V: Comprehensive Real Estate Holding Tax

1. Taxable Objects

Land and residential houses (except villa)

* Under the Comprehensive Real Estate Holding Tax Law, a residential house includes land to which the house belongs.

2. Taxpayer

a. Residential House

A person who is liable to property tax on residential house as of June 1st and the sum of government-evaluated prices of whose residential houses subject to property tax exceeds 600 million won is liable to the comprehensive real estate holding tax.

* A person who owns a house under a sole residence per household– 1.2 billion won

b. Land

A person who is liable to property tax on land as of June 1st and who falls under one of the following categories:

(1) Land of general aggregate taxable object for property tax (vacant land etc):

A person the sum of government-evaluated prices of whose aggregate land subject to comprehensive aggregation taxation for property tax exceeds 500 million won is liable to the comprehensive real estate holding tax.

(2) Land of special aggregate taxable object for property tax (land attached to store, office, buildings, etc.):

A person the sum of government-evaluated prices of whose land of special aggregate taxable object for property tax exceeds 8 billion won is liable to the tax.

* Land of separate taxable object: excluded from comprehensive real estate holding tax.

(a) Farmland (dry field, rice paddies, orchard), forests, pasture lots, factory sites within the standard area.

(b) Land for private golf courses and luxury amusement etc.

3. Tax Base

a. Residential house:

The tax base applied to the comprehensive real estate holding tax on housing is calculated by taking the total posted prices of such houses owned by a single tax obligor, deducting 600 million won, then multiplying the result by 0.6.

* 1.1 billion won is deductible for those who own a house under a single tenancy per household

b. Land

(1) The tax base applied to the comprehensive real estate holding tax on lands of general aggregate taxable object is calculated by taking the total posted prices of such land owned by per tax obligor, deducting 500 million won, then multiplying the result by 1.0.

(2) The tax base applied to the comprehensive real estate holding tax on lands of separate aggregate taxable object is calculated by taking the total posted prices of such land owned by per tax obligor, deducting 8 billion won, then multiplying the result by 1.0

4.Tax Rates

a. Residential house

(1) Two houses or less

Tax base	Tax rates
300 million won or less	0.6%
600 billion won or less	0.8%
1.2 billion won or less	1.2%

5 billion won or less	1.6%
9.4 billion won or less	2.2%
More than 9.4 billion won	3.0%
Corporate	3.0%

(2) Two houses in an area subject to adjustment or three houses or more

Tax base	**Tax rates**
300 million won or less	1.2%
600 million won or less	1.6%
1.2 billion won or less	2.2%
5 billion won or less	3.6%
9.4 billion won or less	5.0%
More than 9.4 billion won	6.0%
corporate	6.0%

b. Land

(1) Land of special aggregate taxable object for property tax (vacant land etc.)

Tax base	**Tax rates**
1.5 billion won or less	1.0%%
4.5 billion won or less	2.0%%
More than 4.5 billion won	3.0%

(2) Land of special aggregate taxable object for property tax (land attached to store, office, buildings, etc.):

Tax base	Tax rates
20 billion won or less	0.5%
40 billion won or less	0.6%
More than 40 billion won	0.7%

Chapter VI: Value Added Tax

1. Taxpayer

a. A person who engages in the supply of goods or services independently in the course of business, whether or not for profit, is liable to value-added tax.

b. A person who imports goods and services is liable to value-added tax.

c. Taxpayers including individuals, corporations, the government and local governments, associations of local governments, any bodies of persons, and unincorporated foundations of any other organizations are generally subject to Value Added Tax.

2. Zero-Rating and Exemptions

a. Zero-Rating

The following goods and services are zero-rated and the input tax incurred is refundable. Zero-rating is applicable only to traders who are residents or domestic corporations. However, traders who are non-residents or foreign corporations are subject to zero-rating on a reciprocal basis.

(1) Goods for exportation

(2) Services rendered outside Korea

(3) International transportation service by ships and aircraft

(4) Other goods or services obtaining foreign currencies

b. Exemptions

The supply of the following goods or services is subject to exemption and the input tax incurred thereon is not refundable. However, traders may elect not to be exempted.

(1) Basic life necessities and services

(2) Social welfare services

(3) Goods or services related to culture

(4) Personal services similar to labor

(5) Other goods or services including goods or services rendered by religious, charitable, scientific, or other organizations which promote the public interest and goods or services supplied by the government

(6) Duty-exempt goods

3. Tax Base

a. Tax Base

The tax base of value-added tax for the supply of goods or services is an aggregate amount of the value as specified under the following. However, value-added tax is not to be included in the tax base.

(1) If the supply is for a monetary consideration, its consideration

(2) If the supply is for a non-monetary consideration, its market value

(3) If the actual consideration provided to a specially related person is considered to be unduly less than that which might reasonably be expected or if there is no consideration, its open market value

(4) In the case of the inventory goods at the time of the closing down of a business, the market value of the inventory goods

b. Tax Rates

The rate of value-added tax is 10%.

4. Simplified Taxation

a. Individuals Eligible for Simplified Taxation

VAT is chargeable on the basis of turnover for a trader whose gross turnover (or proceeds including VAT) of the supply of goods or services deriving from all his business places during the immediate preceding year is less than 80 million won (called “a trader eligible for simplified taxation"). However, a trader engaged in mining, manufacturing, professional business such as lawyers, accountants, entertainment business subject to individual consumption tax, wholesale, or real estate sales business shall be excluded from the range of a trader eligible for simplified taxation.

b. Tax Base and Tax Amount

(1) Tax base: VAT inclusive turnover during the taxable period

(2) Tax amount payable:

Tax amount payable = Aggregate amount of supply during the concerned taxable period × The rate of value-added as prescribed by the Presidential Decree for the category of business (ranging from 5% through 50% based on calculated average rate of value-added for each category of business reported for the immediately preceding 3 years) × 10%

Chapter VII: Individual Consumption Tax

1. Taxpayer

Any person who falls under one of the categories below is liable to Individual Consumption Tax.

a. A person who manufactures or imports taxable goods (e.g. slot machines, luxury furniture/carpet, or oil products)

b. Operators of such taxable places as horse race courses, bicycle race courses, slot machine clubs, golf courses, casinos, nightclubs, etc.

2. Tax Base

a. Tax Base

(1) In the case of taxable goods that are manufactured, the price or the volume at which the goods are taken out of the place of manufacture

(2) In the case of importation, the price or the volume at the time of declaration (the sum of the customs value and the related customs duties levied thereon)

(3) In the case of an admission to taxable places, the number of persons

(4) In the case of the use of entertainment taverns or saloons, the amount of money charged

(5) In the case of business operations in taxable place of business (casinos), gross annual sales amount (amount received from customers – amount paid)

* From 2012, Gangwon Land Casino became the taxable place of business where (5) applies to.

* Foreigners-only casinos will become the taxable place of business where (5) applies to from 2014.

b. Amounts of Individual Consumption Tax, Education Tax, and Value-Added Tax are not included in the tax base.

3. Tax Rates

a. Taxable Goods

(1) Class 1: 20%

(a) Slot machines, pin-ball machines, and other similar recreational machine; and

(b) Hunting guns or rifles.

(2) Class 2: 20% (The tax rate of 20% is levied on the excess of the sales price over two million won)

(a) Luxury watches

(b) Luxury carpets

(c) Luxury bags

(3) Class 3:

The tax rate of 20% is levied on the excess of the sales price over five million won (five million won per piece or eight million won per set in the case of luxury furniture):

(a) Luxury fur skin and its products (excluding rabbit skin and raw fur skin)

(b) Jewelry (excluding diamonds for industrial use, unprocessed original stones, raw ore and loose stones), pearl, tortoise-shell, coral, amber, ivory, and the products made thereof (including loose stones)

(c) Precious metal products; and

(d) Luxury furniture

(4) Class 4:

(a) Automobiles with engine displacement in excess of 2,000 cc and cars for camping: 5%

(b) Automobiles with engine displacement of 2,000 cc or less (excluding those with engine displacement of 1,000 cc or less), and two-wheeled motorcycles with engine displacement in excess of 125 cc: 5%

(5) Class 5:

(a) Kerosene: 90 won/ℓ (63 won/ℓ effective from July 1, 2014)

(b) Heavy fuel oil: 17 won/ℓ

(c) Propane gas: 20 won/kg (in case of propane gas for domestic and commercial use, 14 won/kg effective from July 1, 2014)

(d) Butane gas: 252 won/kg (flexible rates of 275 won/kg)

* Temporary fuel tax cut of 220 won/kg, effective from November 12, 2021 to April 30, 2022; 193 won/kg, from May 1, 2022 to June 30, 2022; 176.4 won/kg, from July 1, 2022 to December 31, 2022.

(e) Natural gas (including a liquefied form): 12 won/kg, provided that for a natural gas other than that for power generation purposes, 60 won/kg is applied (flexible rates of 42 won/ kg),

(For integrated energy suppliers, new and renewable energy suppliers, persons setting up electric installations for private use, 8.4 won/kg)

(f) Bituminous coal for the purpose of generating electric power (effective from Feb. 2018:

49won/kg applicable to net calorific value of 5,500 ㎉/ kg or more

46won/kg applicable to net calorific value of not less than 5,000 ㎉/ kg and less than 5,500 ㎉/ kg

43 won/kg applicable to net calorific value of less than 5,000 ㎉/ kg

* Temporary fuel tax cut of 15%, effective from August 1, 2022 to December 31, 2022

* With regard to gasoline and diesel oil, not Individual Consumption Tax but Transportation·Energy·Environment Tax will be levied until the end of 2021.

(6) Class 6: 594 won per 20 cigarettes

b. Taxable Places

(1) Group 1:

The individual consumption tax rates on the following taxable places are:

(a) Horse race park: 1,000 won per person (for off-course betting centers, 2,000 won per person)

(b) Slot machine places: 10,000 won per person

(c) Golf courses: 12,000 won per person

(d) Casinos: (Korean) 50,000 won per person, (Foreigner) 2,000 won per person

* Gangwon Land Casino: (Korean) 6,300 won per person

(Foreigner) free

* Foreigners-only casinos: (Korean) Not admitted

(Foreigner) free

(e) Bicycle race park, motorboat race park: 400 won per person (for off-course betting centers, 800 won per person)

(2) Group 2:

Entertainment taverns or saloons, etc.: 10%

(3) Group 3:

Where gross annual sales from business operations in taxable place of business (casinos) is:

(a) Less than 50 billion won: 0%

(b) More than 50 billion won - 100 billion won: 2% of the amount exceeding 50 billion won)

(c) More than 100 billion won: 1 billion won + (4% of the amount exceeding 100billion won)

Chapter VIII: Liquor Tax

1. Taxpayer

a. Manufacturers of liquor and persons taking over liquor from a bonded area are liable to liquor tax on the liquor carried out of the manufacturing premises or taken out of the bonded area.

b. A person who intends to manufacture or sell liquor must get a manufacturing license or a selling license from the government.

2. Tax Base

a. Spirits (alcohol content 85% or more), beer, takju (cloudy rice wine): the volume of liquor carried out of the brewery or taken out of a bonded area

b. Beer, takju and liquor other than spirits: the price of liquor carried out of the brewery or taken out of a bonded area

3. Tax Rates

a. **Spirits** (specific tax system): 57,000 won per kℓ(600 won is added for every additional 1% which exceeds 95% of alcohol content)

b. **Takju (cloudy rice wine)**: 42,900 won per kℓ

c. **Beer**: 855,200 won per kℓ

d. Other Liquor (ad valorem tax system): 5% ~ 72%

* ex) Fruit wine 30%; Whisky 72%

Chapter IX: Stamp Tax

1. Taxpayer

a. Stamp tax is levied on a person who prepares a document certifying establishment, transfer, or change of rights to property in Korea.

b. In case where two or more persons jointly prepare a document, they are jointly and severally liable to pay stamp tax on the document concerned.

2. Taxable Documents and Tax Amount

Stamp tax rate varies depending on the types of document. The rates range from 50 won to 350,000 won per document.

Chapter X: Securities Transaction Tax

1. Taxpayer

a. Korea Securities Depository

b. Financial investment business entity

c. Alienator of securities. Where a non-resident or foreign corporation that does not have any place of business in Korea transfers share certificates, etc., not through any financial investment business operator, the transferee of such share certificates, etc. shall be the taxpayer.

2. Taxable securities or interest

Securities Transaction Tax (STT) is imposed on the transfer of stocks of a corporation established under the Commercial Law or any special law, or on the transfer of interest in an unlimited partnership, limited partnership, limited liability company, or limited company established under the Commercial Law. However, the transfer of stocks listed on overseas stock exchanges such as the NYSE, the NASDAQ, the Tokyo Stock Exchange, the London Stock Exchange, the DeutcheBoerse AG, the Euronet Stock Exchange, the Singapore Exchange Limited and foreign stock exchanges similar to the above-mentioned stock exchanges are not subject to STT.

3. Tax Base

Total value of securities at the time of alienation

4. Tax Rates

a. General: 0.43%

b. Temporary tax rates may be applied to stocks listed on the Securities Market of the Korea Exchange, if deemed necessary to boost the capital market. (Applicable temporary rates: 0.08% for the Securities Market-listed, 0.23% for the KOSDAQ-listed, 0.1% for KONEX-listed, 0.23% for K-OTC-listed)

Chapter XI: Transportation·Energy·Environment Tax

1. Taxpayer

Any person falling under one of the following categories is liable to Transportation·Energy·Environment Tax.

a. A person who produces gasoline & similar alternative oil, and diesel oil & similar alternative oil

b. A person who imports gasoline& similar alternative oil, and diesel oil& similar alternative oil

2. Tax Base and Tax Rates

a. Gasoline and similar alternative oil: 475 won/ℓ

b. Diesel oil and similar alternative oil: 340 won/ℓ

* Flexible rates are specified in the Presidential Decree. Actual rates are 529 won/ℓfor gasoline and 375 won/ℓfor diesel oil (temporary fuel tax cut of 423 won/ℓ and 300 won/ℓ for gasoline and diesel, respectively, effective from November 12, 2021 to April 30, 2022; 370 won/ℓ and 263 won/ℓ, from May 1, 2022 to June 30, 2022; 332.5 won/ℓ and 238 won/ℓ, from July 1, 2022 to December 31, 2022

Chapter XII: Education Tax

1. Taxpayers

a. Persons engaged in financial and insurance businesses in Korea

b. Taxpayers of individual consumption tax pursuant to the Individual consumption tax Law (excluding those who pay individual consumption tax on LPG, petroleum, diesel oil, and LNG)

c. Taxpayers of Transportation·Energy·Environment Tax pursuant to the Transportation ·Energy·Environment Tax Law

d. Taxpayers of liquor tax excluding spirits, "Takju,"and"Yakju"

2. Non-Taxable Income

Concerning the financial and insurance businesses, revenues from property placed in trust for public welfare shall not be liable to education tax.

3. Tax Base and Tax Rates

Taxpayer	Tax Base	Rate
Persons engaged in financial and insurance businesses	Gross receipts	0.5%
Taxpayer of Individual consumption tax	Individual consumption tax amount payable pursuant to the Individual consumption taxLaw	30% (15% in the case of kerosene, heavy oil, butane, heavy end)
Taxpayer of Transportation·Energy ·Environment Tax	Transportation·Energy·Environ ment Tax amount payable pursuant to the Transportation·Energy·Environ ment Tax Law	15%
Taxpayer of Liquor Tax	Liquor tax amount payable pursuant to the Liquor Tax Law	10% (30% when liquor tax rate is over 70/100)

Chapter XIII: Special Tax for Rural Development

1. Taxpayer

a. An individual or a corporation whose tax liability (individual income tax, corporation tax, customs duty, acquisition tax, or registration & license tax on registration) is reduced under the Special Tax Treatment Control Law (STTCL), the Special Local Tax Treatment Control Law (SLTTCL), the Local Tax Law, or the Customs Law

b. Taxpayers of certain categories of individual consumption tax

c. Taxpayers of securities transactions tax

d. Taxpayers of acquisition tax, and leisure tax

e. Taxpayers of comprehensive real estate holding tax

2. Tax Base and Tax Rates

Tax Base	Tax Rates	Remarks
The exempted amount of corporation tax, individual income tax, customs duties, acquisition tax, and registration & license tax on registration under the STTCL, the SLTTCL, the Local Tax Law and the Customs Law	20%	Except for tax reduction for development of technology, public projects, etc.
The exempted amount of income tax in relation with interest and dividend incomeunder the STTCL	10%	
The transfer price of listed stocks	0.15%	
Individual consumption tax payable	10%	Admission to golf courses: 30%
Acquisition tax payable	10%	Except for small houses or farmhouses
Comprehensive real estate holding tax payable	20%	
Leisure tax payable	20%	

Part 4: Tax Incentives

Chapter XIV: The Special Tax Treatment Control Law

Tax incentives aimed at achieving specific national economic objectives are mainly provided for under the Special Tax Treatment Control Law (STTCL). The following explains major special tax treatments under the STTCL and does not include all special tax treatments. Please refer to the STTCL for detailed information about each special tax treatment and its limitation.

1. Tax Credit for Research and Human Resources (HR) Development Expenses (STTCL §10)

The larger one between ⓐ and ⓑ will be applied.

ⓐ25% (40% for middle-market enterprises and 50% for SMEs) of the excess of expense incurred for research & HR development conducted by the company itself for that taxable year over the expense incurred for research & HR development conducted by the company itself for the year prior to that year

ⓑThe year's R&D spending x

(1) In the case of an SME: 25/100

(2) In the case where an SME becomes no longer an SME prescribed by the Presidential Decree for the first time, the following rate will be applied:

  (a) From the first day of taxable year when the company becomes no longer an SME for the first time to the taxable year that ends within 3years from that date: 15/100

  (b) From the date after (a) to the taxable year that ends within 2years from that date: 10/100

(3) In the case of a middle-market enterprise *: 8/100

*A middle-market enterprise is one that is not an SME but carries out businesses that are specified as SME's businesses under Article 2.1.1 of the Presidential Decree of the STTCL and whose annual sales revenue is 500 billion won or less.

(4) In the case other than 1) through3): The following formula will be applied (ceiling is 2/100):

0/100 + the share of research & HR development out of income amounts × 1/2

2. Tax Credit for R&D Expenses of New Growth Engines and Basic Technology (STTCL §10, due to expire on Dec. 31, 2024)

(1) Basic Technology: 0~2% (8%~15% for middle-market enterprises, 25% for SME

(2) New growth Technology R&D: 20% (30% for SME) + maximum of 10% {(expenses/sales for new growth technology R&D) ×3}

(3) National strategy Technology R&D: 30% (40% for SME) + maximum of 10% {(expenses/sales for national strategy technology R&D) ×3}

3. Income Tax reduction for Foreign Engineers (STTCL§18)

A foreign engineer prescribed by Presidential Decree shall be entitled to tax exemption of his income tax on earned income derived from rendering his services to a national within Korea for the first 5 years from the first date on which the foreign engineer concerned offered his services in Korea. (Limited to cases where services are offered prior to December 31, 2021)

(1) A foreign engineer prescribed by Presidential Decree shall be granted a tax reduction equivalent to 70/100 of the income tax on the earned income from the offer of his/her services to a national in the Republic of Korea until the month in which the date falling on three years from the date (applicable only to the period before December 31, 2022) such foreign engineer started to offer his/her services in Korea falls. In the case of earned income accruing until the month in which the date falling on two years from the first date therefrom falls, the equivalent to 50/100 of income tax on said income shall be reduced.

4. Special Taxation for Foreign Workers (STTCL§18-2)

In the case of providing work for the first time before December 31, 2021, income tax for foreign employees (excluding laborers hired on a daily basis) who worked in Korea until the five-year period from the date of provision of work can be multiplied by 19/100 of the income tax. In such cases, provisions concerning income taxation, such as tax exemption, deduction, reduction, or tax credit shall not be applicable.

5. Tax Credit for Integrated Investment (STTCL§24)

The "Integrated Investment Tax Credit" was established by integrating investment tax Credits for investment by SMEs, Investment in specific facility*, Investment in facilities for improved quality management of medicines, and investment in facilities for commercializing new growth technologies. And Varying Credit rates was unified by the type of enterprise.

* Investment for productivity enhancement facilities, energy-saving facilities, Safety facilities, Environmentally Friendly Facilities, worker's welfare promotion facilities

(1) Covered Assets

a) Fixed assets for general business use(except land, buildings, etc prescribed by Ministry of Economy and Finance ordinance)

b)Assets other than “a.” prescribed by ordinance of MOEF*

* Facilities for Research and experiment, Vocational training, Productivity Enhancement, Facilities for Safety, Energy Saving Facilities, Environmentally Friendly Facilities and Safety Facilities, Facilities for Improved Quality Management of Medicines, etc.

c) Facilities for Commercializing New Growth Technology, Facilities related to 5G Base Stations

d) Facilities for Commercializing National Strategy Technology

(2) Credits amount

a) Basic Credits : Investment in “1)” × credit rate

type	SMEs	Middle-market enterprises	ETC
(1)a) and b)	10%	3%	1%
(1)c)	12%	5%	3%
(1)d)	16%	8%	6%

* 2% credit rate add for investment in facilities for commercializing new growth technologies(below “(2) c).” assets)

b) Added Credits : If the investment amount in relevant taxable year exceeds the average investment amount for the preceding 3 year, amount of 3%(4% for (1)d)) of the excess (limit : basic credit *2)

Part 5: Local Taxes

Chapter XV: Local Taxes

1. Acquisition Tax

a. Taxpayer

Persons acquiring real estate, motor vehicles, heavy equipment, trees, boats, aircraft, golf memberships, condominium memberships, health club memberships, mining rights, fishery rights through purchase or inheritance

b. Tax Base

(1) The reported price at the time of acquisition; if buildings are acquired in annual installments, the amount of an annual installment

(2) Acquisition period

(a) Acquisition of buildings: when the notice of approval for use is given in case construction of the building is permitted or when the building is first used in the case construction of the building is not permitted

(b) In the case of property acquired in annual installments: each payment date of the annual installments

(c) For vessels, boats, motor vehicles, heavy equipments and aircrafts: when they are delivered to the end-user or when the balance is paid.

c. Tax Rates

(1) Standard rate

(a) Acquisition of real estate

	Tax Base	Rate
i) Housing	600 million or less	1%

600 – 900 million		2%–3%
Over 900 million		3%
1 household with 2 houses in the STAA (subject-to-adjustment area)		8%
1 household with 3 houses outside the STAA		8%
1 household with 3 houses in the STAA		12%
1 household with 4 houses outside the STAA		12%
1 household worth over 3 million won in the STAA acquired by 1 company		12%
ii) Other acquisition	value	2.3% – 4%

(b) Acquisition of other properties

i)	Boats	value	2% – 3%
ii)	Motor vehicles	value	2% – 7%
iii)	Heavy equipment	value	2% – 3%
iv)	Aircrafts	value	2% – 2.02%
v)	Others (trees, golf membership, mining rights, etc.)	value	2%

(2) In the case of acquiring a villa, golf course, high class dwelling house, luxury amusement place, or a luxury boat: 12%

(3) In the case where taxable articles for business purposes are acquired in specially-designated areas of restricted population growth; for example, the Seoul metropolitan area: 8%

2. Registration and License Tax

a. Registration

(1) Taxpayer

Persons who register particulars concerning acquisition, creation, transfer, alteration, or lapse of property rights, or other titles in the official book are liable to registration tax.

(2) Tax Base

The tax base for the registration tax on real estate, ships, aircraft, or motor vehicles is the value at the time of registration. The said tax base depends on the declaration of the person who registers or records in accordance with the pertinent regulations. However, in the case where the tax base is not reported, or the case where value at the time of acquisition is less than the “Standard Value” determined by the local government every year, the “Standard Value” at the time of the registration or the record is deemed to be the tax base. However, the actual acquisition value shall be the tax base in the following cases:

(a)Acquisition from the state, local autonomous bodies, and local autonomous body associations

(b)Acquisition by importing from abroad

(c) Value of acquisitions verified by books of corporations, judicial decisions, or a notarized deed

(d)Acquisition through a public sale

(3) Tax Rates

The registration tax rate varies depending on the type of property registered. The rates range from 0.01%~5%. For certain properties, the rates are fixed.

b. License Tax

(1) Taxpayer

Persons who have obtained licenses as indicated in the annexed table under Article 39 of the Enforcement decree of the Local Tax Act are annually liable to the License Tax for each kind of license.

(2) Tax Base

(a) The number of licenses obtained

(b) Taxation period: on occasional basis or period prescribed by the regulations

(3) Tax Rates

License Class	City with population of 500,000 or more	Other cities	Counties
1	67,500 won	45,000 won	27,000 won
2	54,000 won	34,000 won	18,000 won
3	40,500 won	22,500 won	12,000 won
4	27,000 won	15,000 won	9,000 won
5	18,000 won	7,500 won	4,500 won

3. Leisure Tax

a. Taxpayer

(1) Korea Horse Affair Association which manages and sells tickets to horse races

(2) National Sports Promotion Corporation or local autonomous bodies which organize cycling races and boat races

(3) Bull fighting organizers defined in the Traditional Bull Fighting Match Law

b. Tax Base

A total amount obtained by selling tickets for horse race, bicycle race, motor boat race, traditional bull fighting

c. Tax Rates

10% of the amount obtained by selling horse-race, bicycle race, motor boat race, traditional bull fighting tickets

4. Inhabitant Tax

a. Taxpayer

(1) Per capita: Individuals with their domiciles

(2) On business place: Business proprietors who have registered their business place as of July 1 of each year[individuals and corporations with their offices in a city

or county (including individuals having an office or a place of business larger than a specific size, i.e., whose gross receipts are 48 million won or more in the immediately preceding calendar year)

(3) On employee: An employer who pays salaries or wages to employees

b. Tax Base

(1) Per capita: Number of inhabitants

(2) On business place: Number of Business proprietors and workshop area as of the base date of assessment

(3) On employee: Monthly payroll of employees

c. Tax Rates

(1) Per capita rate (Inhabitant tax assessed in an equal amount): Local governments determine the taxable amount up to 10,000 won

(2) Per business place

(a) Business proprietors: 50,000 won ~ 200,000 won

(b) workshop area: 250 won per square meter

(3) Per employee: 0.5% of the payroll

5. Property Tax

a. Taxpayer

(1) Land: Owners registered in the acreage taxation book under the Acreage law and other lands used effectively.

(2) Buildings: Owners subject to subparagraph 2 of paragraph 1 of article 2 under the Construction Law and owners of facilities installed on the land or owners of leisure, storage and pipe facilities and etc. and other similar facilities attached to other structures.

(3) Houses: Owners subject to subparagraph 1 of Article 2 under the Housing Act. These houses are excluded from the scope of land and buildings.

(4) Vessels: Owners registered in the ship taxation book as of the base date of assessment

(5) Aircraft: Owners registered in the aircraft taxation book as of the base date of assessment

b. Tax Base

(1) The Current Standard Value for ships and aircraft

(2) Land & Houses: The Current Standard Value x (60% for houses; 70% for land)

(3) Buildings: The Current Standard Value x 70 percent

c. Tax Rates

(1) Land

(a) General Combined Tax Rates

(Unit: 1000 won)

Tax base		Tax rate		
Over	Not more than	Tax amount +	%	Of an amount in excess of ….won
	50,000		0.2	
50,000	100,000	100	0.3	50,000
100,000		250	0.5	100,000

(b) Special Combined Tax Rates

(Unit: 1000 won)

Tax base		Tax rate		
Over	Not more than	Tax amount +	%	Of an amount in excess of ….won
	200,000		0.2	
200,000	1,000,000	400	0.3	200,000
1,000,000		2,800	0.4	1,000,000

(c) Separate Tax Rates

Tax base	Tax rate (%)
1) dry field, rice paddies, orchard forests, pasture lots	0.07
2) land for golf courses and luxury amusement	4
3) land other than 1) and 2)	0.2

(2) Buildings

Tax Base	Tax rate (%)
a) building for golf courses and luxury amusement	4
b) building for factory in a residential area	0.5
c) building other than a) and b)	0.25

(3) Houses

Tax base	Tax rate (%)
a) villa	4

b) house other than a)

(Unit : 1000 won)

Tax Base		Tax Rate		
Over	Not more than	Tax amount +	%	Of an amount In excess of ….won
	60,000		0.1	
60,000	150,000	60	0.15	60,000
150,000	300,000	195	0.25	195,000
300,000		570	0.4	570,000

c) Special Tax Rate for one house owned by one household (effective from 2021 to 2023)

Tax Base		Tax Rate		
Over	Not more than	Tax amount +	%	Of an amount In excess of ….won
	60,000		0.05	
60,000	150,000	30	0.1	30,000
150,000	300,000	120	0.2	120,000
300,000	540,000	420	0.35	420,000
540,000		-		

(4) Vessels
(a) High class vessels 5%
(b) Other vessels 0.3%

(5) Aircraft 0.3%

(6) In the case of newly built factories in regions with the population cap defined in the Metropolitan Planning Law, a tax rate equivalent to 500 percent of the foregoing tax rate is applicable as the rate of property tax for five years from the initial base date of assessment.

(7) Where it is deemed that tax rates need to be adjusted due to unavoidable reasons such as natural disaster or abrupt increase in fiscal demand, a mayor or a governor, as the case may be, may adjust the rates by up to 50 percent of the standard rates as specified in (1)~(5) above in accordance with pertinent ordinances. The rates adjusted, however, shall apply only for the tax year concerned on a one-off basis.

6. Automobile Tax

a. Taxpayer

Persons who own automobiles

b. Taxation Period

Annual tax amount will be split into two taxation periods and tax will be assessed and imposed on the owner of an automobile as of the first day to which the taxation period belongs.

1st period: June 16 - 30

2nd period: December 16 – 31

※ If one pays annual tax amounts on a single sum, 10 percent tax credit will be given on automobile tax for the rest of the period.

c. Tax Base and Tax Rates

(1) Automobiles :

18 won ~ 24 won per cc for Business use vehicle
80 won ~ 200 won per cc for non-business use vehicle

(2) Buses

25,000 won ~ 100,000 won per cc for Business use vehicle
65,000 won ~ 115,000 won per cc for non-business use vehicle

(3) Trucks

6,600 won ~ 45,000 won per cc for Business use vehicle
28,500 won ~ 157,500 won per cc for non-business use vehicle

(4) Special Cars

13,500 won ~ 36,000 won per cc for Business use vehicle
58,500 won ~ 157,500 won per cc for non-business use vehicle

7. Tobacco Consumption Tax

The tobacco consumption tax was established as a local tax (city and county tax) on January 1, 1989.

a. Taxpayer

(1) A person who sells manufactured tobacco within a city or county under the provisions of the Tobacco Business Law

(2) Importer of tobacco

(3) A person who enters the country with tobacco

b. Tax Base

Volume of tobacco

c. Tax Rates

Item		Tax rate
Cigarettes		1,007 won per 20 pieces
Pipe tobacco		36 won per 1g
Cigars		103 won per 1g
Cut tobacco		36 won per 1g
Electronic Cigarettes	E-cigarette using liquid nicotine	628 won per 1ml
	Heat-not-burn tobacco	897 won per 20 pieces
	Others	88 won per 1g
Water pipe (Hookah, Shisha, Narghile,etc.)		715 won per 1g
Chewing tobacco		364 won per 1g
Snuffing tobacco		26 won per 1g

8. Community Resource and Facility Tax

a. Community Facility

(1) Taxpayer

Persons that benefit from fire-service facilities

(2) Tax base

Value of the house or vessels

(3) Tax rates

(Progressively rated)

6 million won or less	0.04%
13 million won or less	2,400 won + 0.05% of the excess over 6 million won
26 million won or less	5,900 won + 0.06% of the excess over 13 million won
39 million won or less	13,700 won + 0.08% of the excess over 26 million won
64 million won or less	24,100 won + 0.10% of the excess over 39 million won
Over 64 million won	49,100 won + 0.12% of the excess over 64 million won

(a) In the case of an oil storage, a gasoline station, oil refinery, department store, hotel, theatre, etc., the applicable tax rate shall be increased to 200 percent of the rates prescribed in item (1)

b. Community Resources

Tax Base and Tax Rates

(1) Water for generating electricity: 2 won per 10 ㎥

(2) Subterranean water:

(a) Drinking water: 200 won per 1 ㎥

(b) Hot spring water: 100 won per 1 ㎥

(c) Others: 20 won per 1 ㎥

(3) Underground resources: 0.5 percent of the resource value

b. Other Facility

Tax Base and Tax Rates

(1) Containers: 15,000 won per 1 TEU

(2) Nuclear power generation: 1 won per 1kwh

(3) Thermal power generation: 0.3 won per 1kwh

9. Local Education Tax

a. Taxpayer

Taxpayers of acquisition tax, registration tax, leisure tax, per capita and per business place inhabitant tax(excluding inhabitant tax on workshop area), property tax, tobacco consumption tax, and automobile tax

b. Tax Base and Tax Rates

Taxpayer	Tax base	Standard tax rate
Taxpayer of per capita and per business place Inhabitant Tax(excluding inhabitant tax on workshop area)	Inhabitant tax amount payable pursuant to the Local Tax Law	10% (25% in cities with population exceeding 500,000)
Taxpayer of Acquisition Tax	Acquisition tax amount payable pursuant to the Local Tax Law	20%
Taxpayer of Leisure Tax	Leisure tax amount payable pursuant to the Local Tax Law	40%
Taxpayer of Property Tax	Property tax amount payable pursuant to the Local Tax Law	20%

Taxpayer of Automobile Tax	Automobile tax amount payable pursuant to the Local Tax Law	30%
Taxpayer of Tobacco Consumption Tax	Tobacco consumption tax amount payable pursuant to the Local Tax Law	43.99%

10. Local Income Tax

a. Taxpayer

Individuals and corporations liable to the income tax or the corporation tax

b. Tax Base

The tax base of the income tax or the corporation tax

c. Tax Rates

(1) Local income tax imposed in respect of the income tax

Category	Tax base	Tax rates
Global Income	Not more than 12 million won	0.6% of the tax base
	12 - 46 million won	72,000 won + 1.5% of the excess over 12 million won
	46 - 88 million won	582,000 won + 2.4% of the excess over 46 million won
	88 - 150 million won	1.59 million won + 3.5% of the excess over 88 million won
	150 - 300 million won	3.76 million won + 3.8% of the excess over 150 million won
	300 - 500 million won	9.46 million won + 4.0% of the excess over 300 million won
	500 million won - 1 billion won	17.46 million won + 4.2% of the excess over 500 million won
	Over 1 billion won	38.46 million won + 4.5% of the excess over 1 billion won

(2) Local income tax imposed in respect of the corporation tax

Tax base	Tax rates
Not more than 200 million won	1 % of the tax base
200 million won - 20 billion won	2 million won + 2 % of the excess over 200 million won
20 billion won - 300 billion won	398 million won + 2.2 % of the excess over 20 billion won
Over 300 billion won	6.558 billion won + 2.5 % of the excess over 300 billion won

(3) Special collection

Tax base
The withheld amount of income tax or corporate tax × 10 %

The withholding agent of the income tax or the corporation tax is also required to withhold as local income tax an amount equivalent to 10% of the income tax or the corporate tax withheld.

11. Local Consumption Tax

a. Taxpayer

Taxpayers of VAT

b. Tax Base

Tax revenue of VAT

c. Tax Rates

15 percent of VAT revenue

<Appendix>Summary of Income Taxation for Non-residents

Individual Income Tax

Individual Income Taxation

	Resident	Non-Resident
Definition	Residence or domicile in Korea for more than one year	Any person not deemed a resident
Taxable Place	Residence or domicile	Place of business (fixed base) or place of income source
Tax Liability	Worldwide income	Income from sources within Korea
Methods of Taxation	Global Taxation	Global taxation (in case of fixed base)
	Schedular taxation for capital gains and retirement income	Schedular taxation for capital gains and retirement income
	Withholding taxation	Withholding taxation

Taxation on Non-Residents with a Fixed Base

(Unit: 1,000 won)

Taxable income (Tax Base)		Tax Rates and Brackets
Over	**Not more than**	
	12,000	6%
12,000	46,000	720 + 15% of the excess over 12,000
46,000	88,000	5,820 + 24% of the excess over 46,000
88,000	150,000	15,900 + 35% of the excess over 88,000
150,000		37,600 + 38% of the excess over 150,000

Taxation on Non-Residents without a Fixed Base

Items of Income	Current Domestic Rates
Interest	20% (14% applicable to interest derived from bonds issued by the State, local authorities and domestic companies)
Dividends	20%
Real Estate Income	*
Lease Income	2%
Business Income	2%
Independent Personal Services	20%
Dependent Personal Services	*
Retirement Income	*
Capital Gains Income	Lesser of 10% of sales or 20% of the gains
Royalties	20%
Capital Gains from Securities Transactions	Lesser of 10% of sales or 20% of the gains
Miscellaneous Income	20%

* Tax rates applied to non-residents without a fixed base are identical to those applied to non-residents with a fixed base.

Corporate Income Tax

Corporate Income Taxation

	Domestic Corporation	Foreign Corporation
Definition	A corporate business entity with its head or main office in Korea or with its place of effective management in Korea	A corporate business entity with its head or main office or place of effective management outside Korea
Taxable Place	Head/ main office or place of effective management	Permanent establishment or place of income source
Tax Liability	Worldwide income	Income from sources within Korea
Methods of Taxation	Global taxation Special additional tax	Global taxation (in case of permanent establishment) Special additional tax Withholding tax (in case of no permanent establishment) Schedular taxation (capital gains)

Taxation on Foreign Corporations with Permanent Establishment

Taxable Income (Tax Base)		Tax Rates and Tax Brackets
Over	**Not more than**	
	200 million won	10%
200 million won	20 billion won	20 million won + 20% of the excess over 200 million won
20 billion won		3.98 billion won + 22% of the excess over 20 billion won

Taxation on Foreign Corporations without Permanent Establishments

Items of Income	Current Domestic Rates
Interest	20% (14% applicable to interest derived from bonds issued by the State, local authorities and domestic companies)
Dividends	20%
Real Estate Income	*
Lease Income	2%
Business Income	2%
Independent Personal Services	20%
Capital Gains Income	Lesser of 10% of sales or 20% of the gains
Royalties	20%
Capital Gains from Securities Transaction	Lesser of 10% of sales or 20% of the gains
Miscellaneous Income	20%

* Tax rates applied to non-resident corporations without a permanent establishment are identical to those applied to non-resident corporations with a permanent establishment.

Withholding Tax Rates in Korea

The normal withholding tax rates on the Korean-source income of non-residents are as follows:

Korean-Source Income	Withholding Tax Rates
Gross Revenue from Business	2%
Compensation for Personal Services	20%
Gain Developed from Securities Transactions	10% of sales price or 20% of the difference between sales price and seller's original cost, whichever is less
Dividends, Interest, Royalties, and Miscellaneous Income	20% (14% applicable to interest derived from bonds issued by the State, local authorities and domestic companies)

In addition to the withholding tax rates given above, local income tax of 10 percent is assessed on these withholding taxes.

There are various limitations on these withholding taxes for residents of countries with a tax treaty with Korea. For dividends, interest, and royalties, the withholding tax rates are limited as follows:

Country	Withholding Rates in Outward Remittances		
	Dividends (%)	**Interest (%)**	**Royalties (%)**
Albania	5, 10	10	10
Algeria	5, 15	10	2, 10
Australia	15	15	15
Austria	5, 15	10	2, 10
Azerbaijan	7	10	5,10
Bahrain	5, 10	5	10
Bangladesh	10, 15	10	10

Country	Withholding Rates in Outward Remittances		
	Dividends (%)	Interest (%)	Royalties (%)
Belarus	5, 15	10	5
Belgium	15	10	10
Brazil	15	10, 15	15, 25
Brunei	5, 10	10	10
Bulgaria	5, 10	10	5
Canada	5, 15	10	10
Chile	5, 10	10, 15	5, 15
China	5,10	10	10
Colombia	5, 10	10	10
Croatia	5, 10	5	0
Czech Republic	5, 10	10	0, 10
Denmark	15	15	10, 15
Egypt	10, 15	10, 15	15
Estonia	5,10	10	5,10
Ecuador	5, 10	12	5, 12
Ethiopia	5, 8	7.5	5
Fiji	10, 15	10	10
Finland	10, 15	10	10
France	10, 15	10	10
Germany	5, 15	10	2, 10
Georgia	5, 10	10	10
Greece	5, 15	8	10
Gabon	5, 15	10	10
Hong Kong	10, 15	10	10
Hungary	5, 10	0	0
Iceland	5,15	10	10

Country	Withholding Rates in Outward Remittances		
	Dividends (%)	Interest (%)	Royalties (%)
India	15, 20	15	15
Indonesia	10, 15	10	15
Iran	10	10	10
Ireland	10, 15	0	0
Israel	5, 15	7.5, 10	2, 5
Italy	10, 15	10	10
Japan	5, 15	10	10
Jordan	10	10	10
Kazakhstan	5, 15	10	10
Kenya	8, 10	12	10
Kuwait	10	10	15
Kyrgyzstan	5, 10	10	5, 10
Laos	5, 10	10	5
Latvia	5, 10	10	5, 10
Lithuania	5,10	10	5,10
Luxembourg	10, 15	10	10,15
Malaysia	10, 15	15	10, 15
Malta	5, 15	10	0
Mexico	0, 15	5, 15	10
Mongolia	5	5	10
Morocco	5, 10	10	5, 10
Myanmar	10	10	10, 15
Nepal	5, 15	10	15
Netherlands	10, 15	10, 15	10, 15
New Zealand	15	10	10
Norway	15	15	10, 15

Country	Withholding Rates in Outward Remittances		
	Dividends (%)	Interest (%)	Royalties (%)
Oman	5, 10	5	8
Pakistan	10, 12.5	12.5	10
Panama	5, 15	5	3, 10
Papua New Guinea	15	10	10
Peru	10	15	10, 15
Philippines	10, 25	10, 15	10, 15
Poland	5, 10	10	10
Portugal	10, 15	15	10
Qatar	10	10	5
Romania	7, 10	10	7, 10
Russia	5, 10	0	5
Saudi Arabia	5,10	5	5,10
Serbia	5, 10	10	5, 10
Singapore	10, 15	10	15
Slovakia	5, 10	10	10
Slovenia	5, 15	5	5
South Africa	5, 15	10	10
Spain	10, 15	10	10
Sri Lanka	10, 15	10	10
Sweden	10, 15	10, 15	10, 15
Switzerland	10, 15	10	10
Tadzhikistan	5, 10	8	10
Thailand	10	10,15	5,10,15
Tunisia	15	12	15
Turkey	15, 20	10, 15	10

Country	Withholding Rates in Outward Remittances		
	Dividends (%)	Interest (%)	Royalties (%)
Turkmenistan	10	10	10
Ukraine	5, 15	5	5
U.A.E.	5, 10	10	0
United Kingdom	5, 15	10	2, 10
United States	10, 15	12	10, 15
Uruguay	5, 15	10	10
Uzbekistan	5, 15	5	2,5
Venezuela	5, 10	5, 10	5, 10
Vietnam	10	10	5, 15

This book is published to present a brief overview of the Korean Tax Law. If any discrepancies are found between its contents and the current Korean Tax Code, the latter shall prevail. If you have any questions about the contents of this book, please contact Tax Treaties Team of the Ministry of Economy and Finance of Korea by phone at +82-44-215-4440/4447, by fax at +82-44-215-8073, or via email at:

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