

Tax Support for foreigner

Income Tax Reductions for Foreign Engineers

- The income earned by foreign engineers offering services in Korea is subject to a 50% income tax reduction for a period of five years from the date they started offering services.
- Foreign engineers engaged in materials, parts, and equipment businesses prescribed by Presidential Decree are subject to a 70% income tax reduction for a period of three years from the date they started offering services, and a 50% reduction for two years thereafter.

Special Taxation for Foreign Workers

- The income tax on the income of foreign workers (including foreign executives or employees but excluding daily employed workers) earned from the date they started offering services until the taxable period, which ends within five years, may be calculated by multiplying the relevant earned income by 19%, instead of applying the general income tax rate. (a sunset provision is applied to foreigners who will have begun to offer services in Korea for the first time by December 31, 2023)

Workers at Regional Offices

- The income tax on the income of foreign workers at regional offices prescribed by the Foreign Investment Promotion Act earned from the date they started offering services until the taxable period, which ends within five years, may be calculated by multiplying the relevant earned income by 19%.
- ※ Special taxation also applies to foreigners who first begin to offer services in Korea after December 31, 2023.
- ※ Related law: Article 18.2 of the Restriction of Special Taxation Act

Application of Special Taxation

- Any foreign worker who intends to make a year-end settlement of earned income tax or file a final return of global income tax must submit a wage and salary income earner's return on any income and tax deductions as well as an application for a flat tax rate for foreign workers (Attached Form No. 8 of the Enforcement Rules of the Restriction of Special Taxation Act)—as stipulated by the ordinance of the Ministry of Economy and Finance—to the withholding agent, the taxpayers' union, or the head of the tax office with jurisdiction over the place of tax payment.
- ※ Related law: Article 16.2 of the Enforcement Decree of the Restriction

[Tax deduction for Koreans and Foreigners]

Tax credit for integrated investment

The amount of corporate investment in tangible assets for business (excluding land, buildings, vehicles, etc.) multiplied with the following tax credit rate is deducted from corporate tax.

| Tax Credit | General Investment | | | Investment in New Growth Technology | | |
|--------------|--|-----------------|---------|---|-----------------|---------|
| | | | | Investment in National Strategic Technology | | |
| | SMEs | Middle Standing | General | SMEs | Middle Standing | General |
| ① Basic | 10% | 3% | 1% | 12% | 5% | 3% |
| | | | | 16% | | |
| ② Additional | Where the investment exceeds the average investment over the preceding 3 years, 3% of the amount (4% for national strategic technology), up to 200% of the basic tax credit amount | | | | | |

※ Related regulations: Article 24 of the Restriction of Special Taxation Act

Tax Reductions or Exemptions for Companies in Enterprise Cities, Special Research and Development Zones, etc.

| Tax Reductions or Exemptions for Companies in Enterprise Cities, Special Research and Development Zones, etc. : Type of Location, Related Law, Corporate Tax Reduction or Exemption Rate | | |
|--|--|---|
| Type of Location | Related Law | Corporate Tax Reduction or Exemption Rate |
| Special research and development zone | Article 12.2 of the Restriction of Special Taxation Act | |
| Enterprise city, Regional development zone | Article 121.17 of the Restriction of Special Taxation Act | 100% exemption for 3 years + 50% reduction for 2 years thereafter |
| Jeju-do | Article 121.8~9 of the Restriction of Special Taxation Act | |
| Yeosu Expo Special Zone | Article 121.17 of the Restriction of Special Taxation Act | |

Tax Reductions or Exemptions for Companies in Enterprise Cities, Special Research and Development Zones, etc. : Type of Location, Related Law, Corporate Tax Reduction or Exemption Rate

| Type of Location | Related Law | Corporate Tax Reduction or Exemption Rate |
|---|---|---|
| Asian Cultural Hub City Investment Promotion Zone | Article 121.20 of the Restriction of Special Taxation Act | |
| Financial hub | Article 121.21 of the Restriction of Special Taxation Act | |
| High-tech medical complex | Article 121.22 of the Restriction of Special Taxation Act | |

Tax credit for companies that increased employment

Where the number of full-time employees of a company has increased from that of the previous taxable year, a certain amount (KRW 4 mil.-13 mil.) per increased employee is deducted from corporate tax.

(Unit: ten thousand won)

| Employees | SMEs | | Middle Standing | | Conglomerate | |
|--------------------------------------|--------------------------------|---------------------------------|--------------------------------|---------------------------------|--------------------------------|---------------------------------|
| | Inside Seoul Metropolitan Area | Outside Seoul Metropolitan Area | Inside Seoul Metropolitan Area | Outside Seoul Metropolitan Area | Inside Seoul Metropolitan Area | Outside Seoul Metropolitan Area |
| Full-time young adults, the disabled | 1,100 | 1,300 | 800 | 900 | 400 | 500 |
| Other full-time workers | 700 | 770 | 450 | 450 | - | - |

※ Deduction period: Three years for SMEs and middle standing enterprises, two years for others
/ Applicable period: December 31, 2024

※ Related laws: Article 29.7 of the Restriction of Special Taxation Act, Article 26.7 of the Enforcement Decree of the Act

Tax Reductions or Exemptions for Startups in Employment or Industrial Crisis Areas

For a company that started one of the designated businesses or established a new place of business (excluding relocation of existing business) in an industrial crisis zone no later than Dec. 31, 2023, 100% of corporate tax is exempted for five years starting from the year in which income occurred for the first time, and 50% of corporate tax shall be reduced for two years thereafter (for companies other than SMEs, a ceiling for reduction/exemption shall apply)

※ Related law: Article 6.3 of the Restriction of Special Taxation Act

Tax credit for SMEs

| Category | Requirements for Tax Reductions or Exemptions | Corporate Tax Reduction or Exemption Rate |
|--------------|---|---|
| Startups | 18 types of small- and medium-sized startups as prescribed by the Restriction of Special Taxation Act, such as manufacturing, construction, restaurants, telecommunications, etc. | <p>Small and medium-sized youth startups:</p> <ul style="list-style-type: none"> - Metropolitan overpopulation control regions: 50% for 5 years - Others: 100% for 5 years <p>Other startups</p> <ul style="list-style-type: none"> - Outside Metropolitan overpopulation control regions: 50% for 5 years * Up to 100% depending on job creation compared to the previous year |
| General SMEs | 48 types of small- and medium-sized enterprises prescribed by the Restriction of Special Taxation Act, such as manufacturing, mining, and construction | <p>Special tax reductions or exemptions(5~30% of corporate tax)</p> <ul style="list-style-type: none"> * The reduction rate varies depending on the location, industry, and size of the company |

※ Related law: Article 6, 7 of the Restriction of Special Taxation Act