



Korean insights & regulatory updates

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Tax updates

Corporate income tax

Rationalization of double taxation adjustment on dividends from foreign subsidiaries (introduction of a Dividend Received Deduction (“DRD”) from foreign subsidiaries)

Regarding the dividend deferral system for overseas subsidiaries, which was introduced through the revision of the Corporate Tax Act of 2022, the Enforcement Decree has been revised to specify the requirements for overseas subsidiaries and the dividends that are excluded from the deferral system.

Previously, withholding tax on dividends received from foreign subsidiaries was claimed as a foreign tax credit based on the amount. Under the tax law amendment, DRD rules will apply to qualifying dividends received from qualifying subsidiaries. The following are the requirements for being subject to the DRD rules.

- Qualifying foreign subsidiary: a domestic company owns 10%^{1), 2)} or more of a foreign subsidiary held for at least six months as of the date of the dividend.
 - 1) 5% for a foreign subsidiary operating in overseas natural resources development.
 - 2) Dividends due to a reduction in the capital reserve of the foreign subsidiary are applicable to the DRD rule, regardless of the ownership ratio.
- Qualifying dividends: dividends from profits, distributions from retained earnings, and deemed dividends.
- DRD rate: 95%

- Dividends excluded from the DRD.
 - Dividend received from foreign subsidiary mainly engaged in passive business (leasing, etc.) or a business from passive income (interest and dividend, and etc.) and whose tax rate is 15% or less.
 - Dividends received from hybrid instruments (financial instruments that have both debt and equity characteristics) and that satisfy all of the following conditions.
 - 1) In Korea: treated as dividend income on equity.
 - 2) In a foreign jurisdiction: treated as an interest payment on debt.

Applicable from the dividends received after January 1, 2023 for dividends received before December 31, 2022, foreign tax credit will continue to be applied including foreign tax credits carried forward due to a deduction limit and the foreign tax credits will still be applied.

Tax updates

Value Added Tax (VAT)

Obligation to issue tax VAT invoices for transactions with foreign liaison offices.

Currently, a supplier of goods or services (excluding VAT-exempt goods or services) is required to issue VAT invoice to a person receiving goods or services, with certain exemptions including:

- Goods or services supplied by a taxi service business operator, street vendor or hawker.
- Goods or services supplied by a person who operates any retail trade, beauty salon or other similar service business
- Other goods or services supplied to a non-resident or foreign corporation that has no domestic place of business

However, the amendment excludes a foreign liaison office from the scope of a 'non-resident or a foreign corporation that has no domestic place of business' and that are exempted from the VAT invoicing requirement.

As a consequence, suppliers of goods or services should also issue tax invoices to liaison offices in Korea.

Applicable to the goods or services supplied after July 1, 2023.

Additional requirements on zero tax rate to YouTubers

Additional submission is required when applying the zero-tax rate to the supply of foreign currency acquisition services such as YouTubers. Previously only a certificate on receipt of foreign currency issued by foreign exchange banks was necessary.

However, for those who supply services after March 28, 2023, proof of providing services corresponding to the production of video and audio records through information and communication networks to foreign businesses document (channel name, URL address, opening date, etc.) have to be provided.



Tax updates

Securities transaction tax

Reduction of securities transaction tax rate

To revitalize the securities market by reducing transaction costs when transferring sovereignty, the securities transaction tax rate will be reduced in stages as follows.

Previous rates

Exchange	2022	2023~
KOSPI	0.08%	0%
KOSDAQ	0.23%	0.15%

Amended rates

Exchange	2022	2023	2024	2025
KOSPI	0.08%	0.05%	0.03%	0%
KOSDAQ	0.23%	0.20%	0.18%	0.15%

Applicable from January 1, 2023.



Payroll & HR updates

Adjustments on social insurances

Adjustment in National Pension base salary (effective from July 2023)

- National Pension base salary will be adjusted based on 2022 total salary, as reported for the year-end tax settlement, and the premium will also change accordingly.
- Upper/lower limit of National Pension base salary will change as below table.

National Pension base salary	Jul 2022 ~ Jun 2023	Jul 2023 ~ Jun 2024
Lower limit	350,000 KRW	370,000 KRW
Upper limit	5,530,000 KRW	5,900,000 KRW

Adjustment in Health Insurance base salary and year-end settlement (effective from April 2023)

- Health Insurance base salary has been adjusted based on 2022 total salary and the premium has also changed accordingly.
- Health Insurance has been settled in April 2023 based on 2022 total salary. Although it was initially announced that the additional amount could be paid in 5 instalments, the authorities have finally decided to allow up to 10 instalments if the additional insurance premium is over KRW 9,890.



Accounting updates

Encouraging companies and auditors to strengthen accounting transparency

The Financial Supervisory Service announced the results and implications of the review and supervision of listed companies in 2022 and plans to induce efforts to strengthen accounting transparency by companies and auditors. Although it is the result of screening and supervision of listed companies, all companies need to refer to it, and the major cases pointed out are as below:

Fund embezzlement and overestimation of financial assets using private equity funds

(1) Inspection item

The largest shareholder of listed company A had company A pay 40 billion Korean won to private equity funds A and B for the purpose of misappropriating the funds that flowed into the company following a paid-in capital increase and issuance of convertible bonds. Embezzlement of company funds was done by having them invest in convertible bonds issued by shareholder-owned unlisted company B, and then remitting the funds to the largest shareholder on the day of investment.

(2) Penalty

The Securities and Futures Commission took measures such as restricting securities issuance, imposing a penalty, designating an auditor, and recommending the dismissal of the CEO for company A, due to the intentional accounting fraud.

Omission of liabilities of duplicated convertible bonds, etc.

(1) Inspection item

- After issuing duplicate convertible bonds, the management of Company C did not deposit the funds into the company and misappropriated them.
- Company C should have accounted for the duplicated issuance as a liability and the embezzled amount as employee loans and related allowances for bad debts.

(2) Penalty

The Securities and Futures Commission took measures against Company C's intentional accounting fraud, such as restricting securities issuance, designating an auditor, and requesting the correction.

Investment real estate accounts Misclassification

(1) Inspection item

- Company D acquired multiple rooms for self-use, some rooms were used as offices by the company, and the remaining rooms were leased to a third party for office and storage purposes.
- Company D misrepresented the real estate leased to a third party as a tangible asset rather than an investment property in its financial statements. After the initial acquisition, the valuation method was changed from the cost model to the revaluation model, and the difference between the asset revaluation and the valuation gain on the investment property was changed. The revaluation surplus (other comprehensive income) was misrepresented, and the net income was understated.

(2) Penalty

The Financial Supervisory Service took precautionary measures against company D.

Information on major customers not commented out.

(1) Inspection item

Company E, in accordance with Korean IFRS 1108 (Operating Segment) paragraph 34, discloses information on major customers that account for more than 10% of total sales in the notes to its financial statements. Similar information on the consolidated financial statements is not disclosed in the notes.

(2) Penalty

The Financial Supervisory Service took precautionary measures against company E.

Key figures

Tax rates & social insurance rates

Individual tax rates

Aggregate income taxation standard	Tax rate*
Below KRW 14 million	6.6%
KRW 14 million ~ below KRW 50 million	16.5%
KRW 50 million ~ below KRW 88 million	26.4%
KRW 88 million ~ below KRW 150 million	38.5%
KRW 150 million ~ below KRW 300 million	41.8%
KRW 300 million ~ below KRW 500 million	44%
KRW 500 million and below KRW 1 billion	46.2 %
Above KRW 1 billion	49.5%

* Including local income tax.

Corporate tax rates

Taxable income	Applicable rate*
Amount below KRW 200 million	9.9%
Amount exceeding KRW 200 million and below KRW 20 billion	20.9%
Amount exceeding KRW 20 billion and below KRW 300 billion	23.1%
Amount exceeding KRW 300 billion	26.4%

* Including local income tax.

Social insurance rates

Social insurance	Employer portion	Employee portion
Health insurance	4.0%	4.0%
National pension	4.5%	4.5%
Employment Insurance	0.9% + (0.25%~0.85%)	0.9%
Industrial accident compensation insurance	0.7%~18.6%	
Total	About 10.35% ~ 28.85% of wage	About 9.4% of wage

Premium rate introduced in this table may vary depending on the situation. Besides, upper limitation is set for some contributions.



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