

GLOBAL HIRING GUIDE

# South Korea





## GLOBAL HIRING GUIDE

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# 01

## BASIC COUNTRY FACTS

- **Full Name**  
Republic Of Korea
- **Capital**  
Seoul Special City
- **Main Languages**  
Korean  
English  
Chinese  
Japanese
- **Population**  
51.74 Million
- **Monetary Unit**  
South Korean Won
- **Internet Domain**  
.kr
- **International Dialing Code**  
+82
- **Currency**  
South Korean won



# 02

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## STATUTORY LABOR REQUIREMENTS

### Probation Period

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- The LSA and other labor laws do not limit the duration of a probationary period.
- However, most Korean companies set a probationary period of between three and six months.

### Annual Leave

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- Companies with full-time salaried employees are legally required to provide 15 days of paid annual leave after one year of service with the company.
- An additional vacation day is paid for each two years of service thereafter.
- The statutory vacation days earned per year are capped at 25 days.

### Public Holidays

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1. New Year's Day
2. Seotdal Geumeum
3. Korean New Year
4. Independence Day
5. March 1st Movement Day
6. Buddha's Birthday
7. Children's Day
8. Memorial Day
9. National Liberation Day of Korea
10. Chuseok
11. National Foundation Day
12. Hangul Day
13. Christmas Day

### Maternity Leave

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- Female employees are entitled to 90 days of maternity leave.
- The start date can be agreed to by the employer and the employee, however 45 consecutive days of leave must be taken after the birth.
- The company or Employment Insurance pays for the leave, depending on the size of the company.

### Parental Leave

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- Fathers are entitled to 10 days of paternity leave.

### Sick Leave

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- There is no legal requirement for employers to provide leave to employees for non-work related illnesses or injuries.
- It is not uncommon, however, for companies to provide paid sick leave whether or not an injury or illness is work related.
- Employers are required under the Labor Standards Act to provide paid leave for work-related illnesses or injuries.
- Sick pay paid to an employee cannot be recovered from the state.

## Work Hours

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- Normal working hours are 08 per day and 40 per week, excluding rest breaks and meal periods.

## Overtime

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- Employees are allowed to work a maximum of 12 hours of overtime.
- The employer shall pay 1.5 times or more of the ordinary wage for regular overtime work.

## Notice Period

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- An employer must provide employees with at least 30-days' notice or they can pay the employee 30 days of salary in lieu of the notice as a dismissal notice allowance.
- Employment contracts often provide for longer notice.
- As a contractual matter, an employee may be entitled to reasonable notice of termination (which can be as much as 12 months) in particular circumstances.

## Severance

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- The Employee Retirement Benefit Security Act (Retirement Benefit Act) provides severance pay to the workers at the end of the employment relationship.
- It's provided on voluntary retirement as well as termination for cause.
- The amount of severance pay is equivalent to the average wage of 30 days for each year of service.
- The average wage is calculated by using wages for the 3 months preceding termination. It's paid within 14 days from termination.

## 13th Month

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- 13th month pay is not mandatory in South Korea.
- However, it is common for Korean companies to pay incentive or performance-based bonuses.

# 03

## INCOME TAX

- Residents are subject to income tax on worldwide income.
  - Nonresidents are subject to income tax on Korean source income only.
  - A resident is a person who maintains a domicile or residence in Korea for 183 days or longer.
  - A foreign national who is a tax resident in Korea and who has resided in Korea for 5 years or less during the preceding 10 years as of the end of the tax year is regarded as a nonpermanent resident and only taxed on Korean-source income unless any of the foreign-source income is paid in Korea or remitted into Korea
- Personal income is divided into the following categories:
    - Composite Income, which includes employment income (wages, salaries and similar income), interest income, dividends, business income (including rental income), pension income and other income
    - Severance income
    - Capital gains

ANNUAL TAXABLE INCOME (KRW THOUSANDS)		TAX RATE	
Over (Column 1)	Less Than	Tax On Column 1 (KRW)	Marginal Tax Rate (%)
0	12,000	0	6
12,000	46,000	720	15
46,000	88,000	5,820	24
88,000	150,000	15,900	35
150,000	300,000	37,600	38
300,000	500,000	94,600	40
500,000		174,600	42

# 04

## SOCIAL SECURITY

- There are four types of social security contributions in Korea, namely: National Pension (NP), National Health Insurance (NHI), Employment Insurance (EI), and Worker's Compensation Insurance (WCI).

### National Pension (NP)

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- Assuming the employee is enrolled as a 'workplace-based insured person' under the NP scheme, employers are required to contribute an amount equal to 4.5% of salaries to the national pension fund.
- Employees are also required to contribute an amount equal to 4.5% of their salaries. As such, the total contribution rate is 9% of salaries per annum with both the employer and the employee splitting the 9% contribution equally.
- The employee contributions to the NP scheme are deductible in calculating taxable income.
- The national pension contribution is capped at a monthly salary of KRW 5,530,000, and the maximum monthly pension contribution to be paid by an employee is KRW 248,850 (subject to change every July) for the period from July 2022 to June 2023.

### National Health Insurance (NHI)

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- In general, foreigners working in Korea are required to subscribe to the NHI program, which is mandatory for all foreign expatriates and employees who earn employment income in Korea.

- Assuming the employee is enrolled as a 'workplace-based insured person' under the NHI scheme, as of January 1, 2022, the applicable premium rate, including long-term care insurance, is approximately 7.85% of the monthly wages; split equally between employers and employees at approximately 3.924% each.
- The employee contributions to the NHI program are deductible in calculating taxable income.

### Employment Insurance (EI)

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- The obligation to contribute EI differs depending on the taxpayer's nationality and visa type.
- In general, a foreigner who holds a D-7, D-8, and D-9 (trade management) visa is required to participate in EI.
- Foreigners from certain countries are exempt from the EI obligation under a reciprocity principle, if the foreigner's home country does not require mandatory participation by Korean nationals' in the country's equivalent social security contribution.
- Currently, the employee contribution rate for EI is 0.80% (0.90% starting from July 2022), but the EI rate for employers varies starting from 1.05% to 1.65% (1.15% to 1.75% starting from July 2022) depending on the number of employees and type of industry.

- In other words, in addition to the 0.80% (0.90% starting from July 2022) contributions to EI, employers are required to make 0.25%~0.85% contributions to employment stabilization insurance and occupational competency development insurance.

### Worker's Accident Compensation Insurance (WCI)

- WCI is a state-run social security program for workers with work-related injuries, disease or disability, or any circumstance exposed to danger that can result in death while at work.
- Making contributions to WCI is compulsory only for employers.
- The contribution rate is imposed by the social security office considering working environments (currently from 0.7% to 18.6% of total wages and payroll, depending on the type of industry).

CONTRIBUTION	EMPLOYER	EMPLOYEE
National Pension	4.5%	4.5%
National Health Insurance	3.924%	3.924%
Employment Insurance	1.05% to 1.65%	0.8%
Worker's Accident Compensation Insurance	0.7% to 18.6%	

# 05

## DEDUCTIBLE EXPENSES

### Employment Income Deduction

- The following amount shall be deducted (up to KRW 20 million) from the amount of gross income in the current year to work out the adjusted gross income for salary or wage earners.

AMOUNT OF GROSS INCOME (KRW THOUSANDS)		DEDUCTION RATE	
Over (Column 1)	Less Than	Deduction Amount On Column 1	Marginal Deduction Rate (% On Excess)
0	5,000	0	70
5,000	15,000	3,500	40
15,000	45,000	7,500	15
45,000	100,000	12,000	5
100,000		14,750	2

### Special Tax Credits/ Deductions

- The tax credits amount to KRW 150,000 per child aged 7 or older for up to two children and KRW 300,000 per child for the third and more.
- The tax credit rate is 15% for the donation amount up to KRW 10 million and 30% for the excess.
- The tax credit rate is 15% for education expenses with certain limits (KRW 9 million for each dependent attending university or college, KRW 3 million for each dependent attending preschool to high school, no limit for the taxpayer).

- The tax credit rate is 12% for qualified insurance premiums paid for the following types of insurance (beneficiary can be either the taxpayer or the dependents who have no income for the year): life insurance, life insurance for the handicapped, damage and accident insurance, fire and burglary insurance, and insurance similar thereto.
- The tax credit rate is 15% for medical expenses paid up to KRW 7 million, but only if they exceed 3% of total employment income. However, medical expenses paid for taxpayers aged 65 or older, or the handicapped, are not subject to the KRW 7 million limit for the tax credit.
- The tax credit rate is 12% for the pension premium paid up to KRW 7 million per annum. However, the tax credit rate becomes 15% for the taxpayer whose income is less than KRW 40 million per annum.
- Handicapped person in the taxpayer's household: KRW 2 million for each handicapped person. The handicapped person may be the taxpayer, spouse, or other dependents.
- Person aged 70 or older: KRW 1 million for each taxpayer, spouse, or dependant aged 70 or older in the taxpayer's household.
- Female taxpayer: KRW 500,000. To qualify for this additional deduction, the female taxpayer should be a head of household with dependents but no spouse or should be a married woman, and the qualifying female taxpayer should have an annual taxable income of KRW 30 million or less (approximately KRW 40 million in total annual compensation).
- Single parent: KRW 1 million. In case a single parent claims the female taxpayer deduction above, only the single parent deduction of KRW 1 million is allowed.

## Personal Deductions

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- For the taxpayer: KRW 1.5 million per year. Non-residents of Korea are allowed to claim only the personal deduction for themselves.
- For a spouse who lives with the taxpayer and has an adjusted gross income of less than KRW 1 million per annum: KRW 1.5 million per year.
- For each eligible dependent who lives with the taxpayer and has an adjusted gross income of less than KRW 1 million per annum: KRW 1.5 million per year.

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- For each eligible dependent who lives with the taxpayer and has an adjusted gross income of less than KRW 1 million per annum: KRW 1.5 million per year.
- Handicapped person in the taxpayer's household: KRW 2 million for each handicapped person. The handicapped person may be the taxpayer, spouse, or other dependents.
- Person aged 70 or older: KRW 1 million for each taxpayer, spouse, or dependent aged 70 or older in the taxpayer's household.
- Female taxpayer: KRW 500,000. To qualify for this additional deduction, the female taxpayer should be a head of household with dependents but no spouse or should be a married woman, and the qualifying female taxpayer should have an annual taxable income of KRW 30 million or less (approximately KRW 40 million in total annual compensation).
- Single parent: KRW 1 million. In case a single parent claims the female taxpayer deduction above, only the single parent deduction of KRW 1 million is allowed.

# 06

## IMMIGRATION

### Long Term Visa (E7 Visa)

- E-7 visa is issued to foreigners participating in activities specially designated by the Ministry of Justice through a contract with public/ private organization in Korea.
- In short E-7 is a general work visa for foreigners in Korea. A foreigner who wishes to work during his or her stay in Korea should hold a sojourn status that allows employment.
- A foreigner who is neither an investor nor a dispatched professional but plan to work in Korea may apply for an E-7 visa.

### C-4 Short Term Work Visa

- C-4 Visa is for Short term/Temporary employment.
- This visa is for individuals who are looking for temporary work, which lasts for less than 90 days.

TYPE OF VISA	DOCUMENTATION	VALIDITY	ELIGIBILITY
E-7 Visa	<ul style="list-style-type: none"><li>• Degree certificate</li><li>• Employment certificate</li><li>• Resume</li><li>• License if required</li><li>• Employment contract</li><li>• Document demonstrating the necessity of foreign employee</li><li>• Valid passport</li></ul>	1 year	Applicants must have: <ul style="list-style-type: none"><li>• Master's degree or higher in a relevant subject area</li><li>• Bachelor's degree and one year of work experience in a relevant field</li><li>• An employment contract with an employer in South Korea</li><li>• At least 5 years of work experience in the occupation you are applying for</li></ul>
C-4 Visa	<ul style="list-style-type: none"><li>• Valid Passport</li><li>• Letter of invitation from the employer in Korea, issued within 1 month;</li><li>• Copy of Korean certificate of business registration, printed within 3 months;</li><li>• Employment contract;</li><li>• Employment recommendation letter from the respective department in Korea;</li><li>• Applicant's resume/CV and certificates of qualifications</li></ul>	90 days	This visa is for individuals who are looking for temporary work, which lasts for less than 90 days.

# 07

## VALUE ADD TAX

### Value Added Tax

- All corporations and individuals that supply goods or services, regardless of whether for profit or not, are subject to 10% VAT.
- VAT is levied on supplies of goods and services, and on the import of goods into the country.
- Certain basic commodities such as farm products, health services, government transactions and other specified transactions are exempt from VAT.
- Exported goods are zero-rated, i.e. no VAT is applied on the final sale.

VAT	
Standard Rate	10%
Exempt	0%

# 08

## WITHHOLDING TAX

### Withholding Tax

#### Dividends

- No withholding tax is levied on dividends paid to a domestic company.
- Dividends paid to a resident individual are subject to a 14% withholding tax (15.4% including the local surtax)
- Dividends paid to a nonresident company or individual are subject to a 20% withholding tax (22% including the local surtax)
- The rate for nonresidents may be reduced under a tax treaty.

#### Interest

- Interest on a regular loan paid to a resident or nonresident company or individual is subject to a 20 % withholding tax (22% including the local surtax)
- Interest on bonds is subject to a 14% withholding tax (15.5% including the local surtax)
- The rate for nonresident may be reduced under a tax treaty.

## Royalties

- No withholding tax is levied on royalties paid to a domestic company.
- The domestic individual tax law does not specifically cover the treatment of income from royalties, so royalties paid to resident individuals are subject to withholding tax at various rates, depending on the nature of the income.
- Royalties paid to a nonresident company or individual re subject to a 20% withholding tax (22% including the local surtax)
- The rate for nonresidents may be reduced under a tax treaty.

## Fees For Technical Services

- No withholding tax is levied on fees for technical services paid to a domestic company.
- The domestic individual income tax law does not specifically cover the treatment of income from fees for technical services, so fees paid to resident individuals are subject to withholding tax at various rates depending on the nature of the income.
- Services rendered by a nonresident company or individual in Korea generally are classified as personal services income and subject to a 20% withholding tax (22% including the local surtax)

TYPE OF PAYMENT	RESIDENTS		NONRESIDENTS	
	Company	Individual	Company	Individual
Dividends	0%	14%	20%	20%
Interest	14%/ 20%	14%/ 20%	14%/ 20%	14%/ 20%
Royalties	0%	Varies depending on nature of income	20%	20%
Technical Service Fees	0%	0%	20%	20%

# 09

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## TERMINATION

- The Korean Labor Standards Act mandates that employees under “contract” or “regular employees” may only be terminated for “justifiable reason attributable” to the employee or “urgent managerial necessity” after the completion of the employee’s probationary period.
- The Korean Labor Standards Act places the burden on the employer to prove a “justifiable reason to terminate.”
- According to the Korean Supreme Court, the reason must be “directly attributable to the employee.”
- Stealing, missing an excessive number of days of work, and violating laws related to the job, have all been deemed sufficient to terminate.
- Prior to termination, an attorney should be contacted to allow your company not to terminate an employee in violation of law.
- An employer must provide employees with at least 30-days’ notice or they can pay the employee 30 days of salary in lieu of the notice as a dismissal notice allowance.
- Employment contracts often provide for longer notice.
- As a contractual matter, an employee may be entitled to reasonable notice of termination (which can be as much as 12 months) in particular circumstances.

# 10

## STATUTORY BENEFITS

- These are mandatory benefits as postulated by law.
- These include annual leave, public holidays, sick leave, maternity leave, parental leave, overtime pay, notice period, and severance pay.
- Statutory benefits also include social security benefits.

### STATUTORY BENEFITS

- Annual Leave
- Public Holidays
- Maternity Leave
- Parental Leave
- Sick Leave (for work related illnesses/injury)
- Overtime Pay
- Notice Period
- Severance Pay
- Social Security Benefits







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