

Entertainment Expenses

This is a system that accepts expenses up to a certain amount and rejects the exceeding amount by setting some limit on it for the purpose of limiting consumable spending or non-productive spending, and securing the tax claims.

1. The definition of Entertainment Expenses

Regardless of the title of entertainment expenses, rewards, and other names, it refers to expenses a corporation spends in entertainment for the business, and is determined on the following basis:

- The purpose of spending: It must be spent in relation to the business work. (In the case it is not business relevant, it shall be considered as a donation.)
- The party that is the subject of the spending: The expenses must be spent on the specific person who is engaged in the business, and has interest in the business of the corporation directly or indirectly in the same year. (Any spending spent on non-specific multiple people may be considered as advertising costs.)

2. When the entertainment expenses occur, the eligible evidence must be supplied

For each instance of entertainment spending, the evidence should be collected as below for each case, and in the event it fails to obtain such evidence, the entire expense amount will not be tax deductible.

An amount spent for each entertainment event	Types of evidences	Comment
In the event it exceeds 30,000 KRW (Excluding the expenses for congratulations and condolences)	Tax invoice, Tax exempted invoice, a corporation credit card statement	In the event the expenses were paid by the employee's own credit card, the expenses will not be eligible
Up to 200,000 KRW (Applicable only for the expenses for congratulations and condolences)	Documents that can be substantiated such as wedding invitations	In the event the amount exceeds 200,000 KRW, the entire amount will be ineligible for deduction

3. Limit of the expenses of entertainment expenses

The sum of the basic limit below and the limit of the income amount basis income limit is eligible for the deduction.

- 1) Basic limit: As for small to mid-sized businesses, 36,000,000 KRW, and any enterprises other than small and medium-sized business, 12,000,000 KRW
- 2) Limit based on revenue

Revenue	Limit
Less than 10 billion KRW	0.3%
Exceeding 10 billion KRW - less than 50 billion KRW	30 million KRW + 0.2% of amount exceeding 10 billion KRW
Exceeding 50 billion KRW	110 million KRW + 0.03% of amount exceeding 50 billion KRW

However, in the event the revenue incurs from related party transaction, only 10% of the above limits are applied.