

## Special taxation for foreign employees

### 1. Application of flat tax rate [19%]

Korean income tax rates are progressively applied from 6% to 45%. However, foreign employees can elect flat tax rate 19% if below conditions are met.

An income tax rate against the salary paid until **twenty (20) years** from the inception of his/her employment (they should start the employment before December 31, 2023), which a foreign executive officer or employee (excluding day to day worker) earned by working domestically (except for working for a related party i.e. shareholder with management control relationship), shall be 19% of the annual salary. In this case, the regulations for non-taxable, deduction, reduction, and tax deductibles by the Individual Income Tax Law and Restriction of Special Taxation Act are not applicable, and the salary shall not be added back to the taxable income of the comprehensive tax return.

- 1) 19% is also applied to monthly income tax withholding

The person responsible for withholding may withhold the amount 19% multiplied to the salary in spite of the regulation of withholding by the simple income tax withholding table when make payments for the monthly salary to the foreign employee.

- 2) Requirement to submit application

In order to apply the special tax provision of income tax to the foreign employees, an application provided by the law set forth by the presidential decree should be submitted.

### 2. Reduction of income tax against a foreign engineer

- 1) Reduction of income tax against a foreign engineer - general

As for an earned income set forth by the presidential decree, which a foreign engineer earned by providing labor to a resident or a domestic company, the income tax shall be reduced by the amount of 50/100 of earned income tax for the labor income earned for **ten years** since the date the labor was first provided (they should start the employment before December 31, 2023).

Meanwhile, if a foreign engineer's specialty is related to materials, components and equipment, he/she can get tax credit of 70/100 for the first three (3) years and 50/100 for the remaining two (2) year against their income tax.

- 2) Requirement to submit application

The person responsible for withholding shall withhold 50/100 of income tax amount subject to withhold when pay the salary that is subject to income tax reduction in accordance with the Article 18 of the Restriction of Special Taxation Act, and the person who desires to get the benefit of the above mentioned law should apply for the reduction of tax in accordance with the presidential decree.