

# Newsletter

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Bi-monthly Newsletter of Hanul LLC



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## ■ Filing of Interim Corporate Income Tax Return due by August 31, 2021

A resident corporation (and a nonresident corporation having a permanent establishment in Korea) is required to pay interim corporate income tax within 2 months from the end of the first six months of each fiscal year. An interim corporate income tax return must also be filed along with the tax payment. A corporation with the December 31 calendar fiscal year-end must file 2021 interim corporate income tax return along with the necessary tax payment **no later than August 31, 2021**.

The interim corporate income tax return can be filed using either (i) the 1/2 method (that is, paying 1/2 of the corporate tax paid in the prior year) or (ii) the book-closing method (by closing the books of accounts of the corporation for the first six-month period and calculate interim corporate tax amount based on the financial results of such first six months). When a corporation had not paid corporate income taxes in the prior year due to tax loss or having no taxable income, only the option (ii) above should be applied. However, if a domestic corporation that is classified as a Small and Medium-sized Enterprise (“SME”) in the business year immediately preceding the relevant business year has the computed amount of tax less than KRW 300,000 (i.e., 50% of previous year’s income tax is less than KRW 300,000), the company is not required to file the interim corporate income tax return.

The calculation formula of interim corporate income tax by using the book-closing method is as follows:

$$\text{Tax payable} = [\text{taxable income for interim period} \times 12/6] \times \text{tax rates} \times 6/12$$

- (tax exemption/withholding taxes paid and taxes assessed for the interim period)

If the interim corporate income tax payable exceeds Won 10 million, such tax can be paid in 2 installments as below. The second installment payment is due within 1 month from the end of the filing due date (2 months in the case of SMEs (defined)).

If interim income tax payable is:		Installment payments can be broken down as below:
Over Won 10 million ~ up to 20 million	1 <sup>st</sup> installment 2 <sup>nd</sup> installment	10 million Excess over 10 million
Over Won 20 million	1 <sup>st</sup> installment 2 <sup>nd</sup> installment	50% or more of tax payable Remaining 50% balance

(Notes)

- 1<sup>st</sup> installment is due together with filing of the interim tax return within 2 months from the end of the first 6 months (i.e., August 31 for the calendar fiscal year-end).
- 2<sup>nd</sup> installment is due within 1 month from the end of the filing due date (i.e., September 30 for the calendar fiscal year-end) or within 2 months from the end of the filing due date in case of SMEs (i.e., October 31).

Unlike the annual corporate income tax return, there is no additional local (provincial) income tax payable on interim corporate income tax liability.

## ■ Changes in Resident Tax Scheme

Due to the revision of the Local Tax Act, the resident tax on property (주민세 재산분) and the resident tax per capita portion (주민세 균등분) are integrated into the resident tax business place portion (주민세 사업소분) effective from January 1, 2021.

Before revision	After revision
<ul style="list-style-type: none"> <li>o Resident tax on property (주민세 재산분) - due by July 31 of every year</li> <li>o Resident tax per capita portion (주민세 균등분) - due by August 31 of every year</li> </ul>	<ul style="list-style-type: none"> <li>o Integrated into resident tax business place portion (주민세 사업소분) - due by August 31 of every year</li> </ul>

Until 2020, if a company has the office space over 330 square meters as of July 1, the company should report and pay the resident tax on property (주민세 재산분) to the district gu-office by July 31 of each year. From 2021, companies that reported and paid the resident tax on property (주민세 재산분) should report and pay the resident tax business place portion (주민세 사업소분) by August 31 of each year.

When reporting and paying the resident tax business place portion (주민세 사업소분) in August of this year, it is important to note that in addition to the previous resident tax property portion, the resident tax per capita portion (주민세 균등분) must also be reported and paid. Until 2020, the resident tax per capita portion (주민세 균등분) had been assessed and collected by the relevant district gu-office separately.

The calculation formula of the resident tax business place portion (주민세 사업소분) is as follows:

$$\text{Tax payable} = \text{Base Amount (*)} + [\text{KRW } 250 \times \text{square meters of office space}]$$

(\*) Base Amount

The amount of paid-in capital	Base amount
3 billion KRW or less	KRW 50,000
Over 3 billion KRW but not more than 5 billion KRW	KRW 100,000
Over 5 billion KRW	KRW 200,000
Other	KRW 50,000

In August of this year, for the convenience of taxpayers reporting and paying their resident tax business place portion (주민세 사업소분), a payment slip containing the amount of tax to be reported and paid is scheduled to be mailed to the taxpayer by the relevant district gu-office. If the tax amount on the payment slip and the amount of tax to be reported or paid are the same, it will be deemed to have been reported and paid if paid by the due date. In addition, penalty tax related to resident tax will be temporarily exempt until 2022.

## ■ Changes in Withholding Tax Compliances

### ● Simplified Half-Year Withholding Tax Statement Filing for Salary and Wage Income for the First Half Year of 2021 due filing by July 31, 2021

As we announced previously, starting from 2019, under Article 164-3 of the amended Individual Income Tax Law (IITL) of Korea, all companies (as the withholding agents) who pay salary and wage income are required to submit simplified half-year withholding tax statement to the governing tax office **on a semi-**

**annual basis** by the filing due dates below.

Tax Period		Submission Due Dates
1st half year period	For the income paid from January to June	By July 31 of the current year
2nd half year period	For the income paid from July to December	By January 31 of the following year

This simplified half-year withholding tax statement filing for salary and wage income for the first half-year ended June 30, 2021 is coming **due by July 31, 2021**.

Failure to comply with this filing requirement shall be subject to penalties equivalent to 0.25% of non-reported/underreported amount (0.125% of non-reported amount when filed within 3 months from the original filing due dates).

● **Simplified Withholding Tax Statement Filing for Business Income Changed from Semi-Annual to Monthly Basis Starting from July 2021**

Previously, companies as the withholding agents were required to submit the simplified withholding tax statement for business income (“거주자의 사업소득 간이지급명세서 제출”) to the governing district tax office for business income paid to outside contractors on a semi-annual basis in January and July of every year.

However, under the amended IITL of Korea, such simplified withholding tax statement for business income shall be filed with the governing district tax office **on a monthly basis** by the end of the following month starting with the business income paid on or after July 1, 2021.

For the business income paid in July 2021, the simplified withholding tax statement of business income should be filed **no later than August 31, 2021**.

● **Withholding Tax Statement Filing for Payment to Temporary Workers Changed from Quarterly to Monthly Basis Starting from July 2021**

Previously, the withholding tax statement filing for payments made to temporary workers (“일용근로소득지급명세서”) were required to be filed with the governing district tax office on a quarterly basis in January, April, July, and October of every year.

Under the amended IITL, such withholding tax statement filing for payments made to temporary workers shall be filed with the governing district tax office **on a monthly basis** by the end of the following month starting from July 2021.

For the payments made to temporary workers in July 2021, the withholding tax statement for payment to temporary worker should be filed **no later than August 31, 2021**.

■ **Other HR Tips**

● **Expanded substitute public holidays in Korea**

The Ministry of Personnel Management (“인사혁신처” in Korean) announced on July 15, 2021 that the government will expand application of substitute public holiday additionally to 4 more public holidays including March 1 Independence Movement Day, August 15 National Liberation Day, October 3 National

Foundation Day and October 9 Hangeul Proclamation Day. Buddha's Birthday and Christmas Day were excluded from the application of substitute public holidays this time.

With this expanded application of substitute public holidays, in the event where these 4 holidays fall on weekends, the following Monday will be given as a substitute public holiday starting from this year. In 2021, August 15 National Liberation Day, October 3 National Foundation Day and October 9 Hangeul Proclamation Day actually fall on weekends and hence the following Mondays will be off-days.

Previously, the substitute public holidays were applied only to 7 public holidays including the Lunar New Year's Day, Chuseok Thanksgiving Day and Children's Day.

### ● **Third Phase of 52-hour Work Week Legislation Implemented from July 1, 2021 to Companies Having 5 or More and Less than 50 employees**

As we announced previously, the Korean government introduced the 52-hour work week legislation stipulating that the maximum work hours including overtime and holiday work shall be limited to max 52 hours per week in an effort to improve long working hours of the workers and their quality of life.

This 52-hour work week legislation is being implemented in different phases depending on company size with the first phase already started from July 1, 2018 for the companies having 300 or more employees. The third phase will take effect from July 1, 2021 that will be applicable to companies having 5 - 49 employees.

For your reference once again, the implementation schedules in different phases were set out as below:

- 1st phase - 300 or more employees: July 1, 2018
- 2nd phase - 50 or more but less than 300: January 1, 2020
- **3rd phase (final) - 5 or more but less than 50: July 1, 2021**

### ● **Mandatory Obligation of Employers Having 50 or More Employees for Hiring Individuals with Disabilities under the Labor Laws of Korea**

Employers having 50 or more employees in Korea at all times shall be subject to the statutory obligation to hire individuals with disabilities following the guidelines on minimum ratios as prescribed by the Presidential Decree (장애인의무고용률), which range between 3.1% to 3.4% of the total number of employees (Article 28 of the Act on Employment Promotion and Vocational Rehabilitation of Individuals with Disabilities and Article 25 of the Enforcement Decree).

Employers who fail to hire individuals with disabilities in full compliance with the guidelines on minimum employment ratio of the government shall be subject to assessment of annual employment levy (고용부담금). As an exception, however, employers having more than 50 but less than 100 employees are waived of this employment levy assessment as defined under Article 33 of the Act on Employment Promotion and Vocational Rehabilitation of Individuals with Disabilities.

In addition, employers having 50 or more employees in Korea shall also be obligated to prepare and submit their plans for hiring individuals with disabilities and the implementation status **on a semi-annual basis** in January and July of every year in compliance with the Act on Employment Promotion and Vocational Rehabilitation of Individuals with Disabilities and Act on Prohibition of Discrimination Against the Disabled of Korea.

### ● **National Pension, Max Contribution Ceilings Increased Effective from July 1, 2021**

Effective from July 1, 2021, the monthly max contribution ceiling of the statutory national pension will

increase from KRW 226,350 to **KRW 235,800** each for employer and employee (Ministry of Health and Welfare (MOHW) announcement, March 30, 2021).

The statutory social insurance premium rates in effect from July 2021 can be summarized as below.

Social Insurances:	Employee portion	Employer portion	Total	Remark
<b>National Pension (NP)</b>	4.5%	4.5%	9.0%	<b>Won 235,800</b> of monthly contribution ceiling each
<b>National Health Insurance (NHI)</b>				
a. Health Insurance (HI)	3.43%	3.43%	6.86%	<b>Won 3,523,950</b> of monthly contribution ceiling each Assessed at 11.52% of HI premium above
b. Long-term Care Insurance for the Elderly (LTCI) (Note a)	11.52%	11.52%	23.04%	
<b>Employment Insurance (EI)</b>	0.8%	1.05% ~1.65%	1.85% ~2.45%	Vary depending on the number of employees
<b>Industrial Accident Compensation Insurance (IACI) (Note b)</b>	NIL	0.60%~ 18.50%	0.60%~ 18.50%	Vary depending on type of business

**(NOTE)**

- a. LTCI contribution is imposed based on the medical insurance premium (while NP, HI, EI, and IACI contributions are imposed based on monthly wage income reported in the prior year).
- b. Wage bond surcharge and asbestos victim relief surcharge of 0.6/1,000 and 0.03/1,000 should be added to IACI rates additionally. Commute related injury surcharge is also assessed additionally at 1.3/1,000 regardless of the business type starting from January 1, 2020.

Please contact any of the following individuals with any inquiries or comments.

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