한울회계법인
Hanul LLC

Newsletter

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Contents

■ Amended External Audit and Accounting Regulations of Korea in 2018

Under the amended external audit and accounting regulations of Korea that **came into force from November 1, 2018**, non-listed Chusik Hoesa will be waived of annual statutory external audit requirement in Korea if the company satisfies at least 3 or more of the following conditions as of the end of immediately preceding fiscal year and thus deemed as a small sized company. Sales criteria is newly adopted in the amended regulations.

1. Assets	2. Liabilities	3. Sales	4. # of employees
Less than Won 12 billion	Less than Won 7 billion	Less than Won 10 billion	Less than 100 employees

In addition, previously Yuhan Hoesa was not subject to annual statutory external audit in Korea. However, under the amended regulations, Yuhan Hoesa shall also be subject to annual statutory external audit requirement **starting from November 1, 2019** unless the company meets at least 3 or more of the following conditions and deemed as a small sized company.

1. Assets	2. Liabilities	3. Sales	4. # of employees	5. # of members
Less than Won 12 billion	Less than Won 7 billion	Less than Won 10 billion	Less than 100 employees	Less than 50 members

A standard for large scale companies is also newly introduced in the amended regulations. Companies having Won 50 billion or more of total assets or sales will no longer be treated as a small sized company and become subject to annual statutory external audit (approximately 2,000 large scale companies are expected to be affected by this change).

■ Tax Tips

● Reporting requirements of transfer pricing ("TP") documentation

A company must submit the following TP documents together with its annual corporate income tax return within 3 months from the end of each fiscal year to the tax authorities:

- Report on the method of arm's length price determination
- Schedules of international transactions with Overseas Specially Related Parties ("OSRP")
- Summarized Profit and Loss Statements of OSRP

A company may omit submission of the "Report on the Method of Arm's Length Price Determination", if the company meets one of the following conditions:

- goods transactions (including both sales and purchase transactions) with its OSRP must not exceed KRW 5 billion in total AND service transactions (including both services rendered and received) with its OSRP must not exceed KRW 1 billion in total; OR
- goods transactions (including both sales and purchase transactions) with its each OSRP must not exceed KRW 1 billion AND service transactions (including both services rendered and received) with its each OSRP must not exceed KRW 200 million.

Also, a company may omit submission of the "Summarized Profit and Loss Statement of OSRP", if goods transactions (including both sales and purchase transactions) with its concerned OSRP does not exceed KRW 1 billion AND service transactions (including both services rendered and received) with its concerned OSRP does not exceed KRW 200 million.

If a company does not submit the reports explained above within the filing due date and fails to submit the reports upon request of the tax authorities, a penalty up to KRW 100 million may be assessed.

Reporting requirements of Base Erosion and Profit Shifting (“BEPS”)

In addition to the requirements of TP documentation, Multinational Enterprises (“MNE”) which meet the following conditions are also required to submit the Combined Report of International Transactions (“CRIT”), which is comprised of three elements (Local file, Master file, and Country-by-Country (“CbC”) report).

CRIT	Local file and Master file	CbC report
Conditions	Domestic corporations and foreign corporations with a domestic place of business that satisfy the following criteria: a. Annual gross sales of an individual entity exceed KRW100 billion; and b. Annual overseas specially related party transaction exceeds KRW 50 billion.	• In the case where the ultimate parent company is a domestic company or a resident of Korea, the CbC reporting obligator is the domestic parent company preparing the consolidated financial statements of a multinational group whose consolidated revenue exceeds KRW1 trillion during the preceding fiscal year. • In the case where the ultimate parent company is a foreign company or a non-resident of Korea, the CbC reporting obligator is a Korean affiliated company of a multinational group whose consolidated revenue exceeds 750 million Euros (or equivalent) in the preceding fiscal year if any of the following conditions are met: a. There is no obligation to submit a CbC report under the laws and regulations of the country where the ultimate parent company is located; OR b. There is no arrangement for the exchange of CbC report information between South Korea and the country where the ultimate parent company is located.
Due date	Within 12 months from the end of each fiscal year (e.g. by December 31, 2018 for the MNE having the fiscal year ended December 31, 2017).	

In the case where the threshold condition of Local file, Master file, and CbC report is satisfied, MNE failing to submit such reports (in whole or in part) or found to have submitted incorrect information may be subject to penalties up to KRW 30 million per report.

■ HR Tips and Benefits

● Increase in Minimum Wage

Under the revised Labor Standards Act, the minimum hourly wage in Korea will rise from KRW 7,530 to KRW 8,350. This change will take effect from January 1, 2019.

	2018	**From Jan 1, 2019**
Minimum hourly wage	Won 7,530 (Won 1,573,770 minimum monthly wage with 209 working hours per month)	**Won 8,350** (**Won 1,745,150** minimum monthly wage with 209 working hours per month)

● Government cash grants program available for additional youth employment effective retroactively from January 1, 2018

The Korean government announced earlier on June 1, 2018 that it adopted a new program to provide cash grants for the eligible companies in an effort to encourage companies to hire more youth employees and create more jobs, which is named the Government Cash Grant Program for Additional Youth Employment ("청년 추가고용 장려금 지원사업" in Korean). An eligible company may claim for cash grants in the amount of maximum Won 9,000,000 per year and per person for the period of up to three(3) years and this applies to the newly hired youth employee from March 15, 2018 (for the youth employees hired between January 1, 2018 through March 15, 2018, cash grants will be reduced to maximum Won 6,666,660 per year and per person).

1. Summary of the program and eligibility

- Small and medium companies having 5 or more employees are the target group for this program.
- Number of youth employees who are newly enrolled in the statutory unemployment insurance should be increased in year 2018 compared to December 31, 2017 to be eligible.
- Cash grant is provided from the Ministry of Employment and Labor (MOEL) for up to Won 9,000,000 per year and per person (Won 750,000 per month and per person).
- Youth employees hired shall be in permanent position.
- Cash grant will be effective retroactively from January 1, 2018.
- Potential youth employees must be aged between 15 and 34.
- Cash grant benefit shall be applied for 3 years from the date of original hire and an extension is not allowed.
- This program can be closed earlier this year if the MOEL reaches its annual quota for year 2018 of 90,000 newly hired youth employees.

2. When and how to apply

- A company that is eligible and intends to apply for a cash grant benefit shall submit to the district office of MOEL an application with proper supporting documents (employment contract to verify permanent position, etc) no later than 6 months from the original hire date of the new youth employee. The application should be filed on a monthly basis from the following month of the original hire date and thereafter. As an exception, however, for the new youth employee hired prior to May 2018, the application can be filed by November 30, 2018 and on a monthly basis thereafter. Companies may file the application through the Employment Insurance website at www.ei.go.kr.
- Once reviewed and approved that the company is qualified for the program by the district office of MOEL, the cash grant will be paid within 14 days from the date the application is filed

■ Social Insurance Changes in 2019 and Other Tips

● Increase in the national health insurance and the long-term care insurance for the elderly starting from January 1, 2019

Effective from January 1, 2019, the insurance premium rate of the National Health Insurance will be increased from 6.24% to 6.46% of monthly salary income (excluding non-taxable income). Each employer and employee portion rise from 3.12% to 3.23%, respectively. In addition, the insurance premium rate of the Long-Term Care Insurance for the Elderly (surcharge of the national health insurance) will also be increased from 7.38% to 8.51% of the National Health Insurance premiums.

With the monthly salary income excluding non-taxable income of KRW 5,600,000, the insurance premiums will increase as shown below.

	Before	**From Jan 2019**
National Health Insurance	5,600,000 * 3.12% = 174,720	5,600,000 * **3.23%** = 180,880
Long-Term Care Insurance for the Elderly	174,720 * 7.38% = 12,890	180,880 * **8.51%** = 15,390

● Abuse of unemployment benefit application by the terminated employees and fines that can be imposed to the employer

In principle, there should be no disadvantage to the employer when an eligible employee applies for unemployment benefits at his/her involuntary termination from the company. However, if the company (1) files an amended report to change the termination/deregistration reason code from what was originally reported to the unemployment insurance agency, (2) assists the employee to receive unemployment benefits illegally, or (3) terminates an employee for reason of “advice to resign” while the company is receiving government subsidy, etc. (in which case the unemployment payment can be limited).

If the company files an amended report to change the deregistration reason code from what was originally reported to the unemployment insurance agency, the company will be deemed to have filed an incorrect report and a fine can be assessed to the employer. Therefore, the company must file carefully and accurately when the company files the report on termination/deregistration reason to the social insurance agency for the first time.

Fines assessed to Employer		
1st time violation	2nd time violation	3rd time violation
KRW 50,000 per insured employee, but the sum of the fines shall not exceed KRW 1,000,000 max	KRW 80,000 per insured employee, but the sum of the fines shall not exceed KRW 2,000,000 max	KRW 100,000 per insured employee, but the sum of the fines shall not exceed KRW 3,000,000 max

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

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