

# Newsletter

March 2020

COVID-19 Special Edition, Hanul LLC



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## ***COVID-19: Korean government support for individuals and businesses March 2020***

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## ***COVID-19: Korean government support for individuals and businesses March 2020***

Dear Clients and Friends,

The Korean government announced measures to support the businesses and individuals from the impact of the coronavirus (COVID-19) outbreak. While the government's package of help for businesses and individuals will evolve over time, we summarize the key elements of the current proposals of the government for your information for the time being as briefly summarized below:

### ■ **Government emergency funds to help businesses, prevent job losses, and stabilize markets in Korea**

The Bank of Korea (central bank in Korea) announced that it has decided to temporarily supply an unlimited amount of liquidity to financial institutions in Korea. This new measure announced on March 26, 2020 aims to stabilize the financial market and minimize the economic fallout from the COVID-19 outbreak. This is the first time Korea's central bank has taken such an unconventional measure. It will supply unlimited amount of liquidity for the next three months starting April 1st.

With the global pandemic casting a shadow on the local economy, Korea's grand 80 billion US Dollar economic relief package aims to fend off the worst of it. It is expected to save local businesses facing business closure because of the outbreak. Part of why small business has suffered is known to be from the trickle-down effect from the damage done to big business, so it is also a quick move to look after the country's leading companies as well. The data show that in the recent two months since Korea confirmed its very first COVID-19 case, Korea's biggest companies have seen one third of their market capitalization simply disappear. The package is also aimed at preventing an economic domino effect because the loss of jobs and household income could spill into other industries and parts of the economy. This relief package for COVID-19 is 20 times the size of the one provided during the financial crisis of 2008.

### ■ **Tax relief package for corporate income tax and indirect tax (VAT)**

The Korean government unveiled a package of tax relief measures for corporate income tax and indirect tax (VAT) earlier this March 2020 to help support businesses and individuals affected by COVID-19 as below.

#### **a. Corporate Income Tax ("CIT"):**

- The qualified corporations may apply for extension of CIT returns filing and CIT payments thereof as much as nine (9) months.
- Special income tax reduction rates for the qualified small and medium sized corporations located in the designated areas shall be doubled from 15 ~ 30% to 30 ~ 60%.
- Tax limitation of entertainment expenses shall be increased from 0.3% ~ 0.03% to 0.35% ~ 0.06% of revenues.
- Depending upon the given situation, a tax audit shall be stopped or postponed.

#### **b. Indirect tax ("VAT"):**

- The qualified corporations may apply for extension of quarterly VAT return filing and VAT payments thereof as much as nine (9) months.
- For the qualified small individual business with less than annual revenue of KRW 80 Million, VAT payments shall be reduced from 10% to 0.5 ~ 3%.

These tax relief measures are mostly for companies located in designated disaster zones and for small private businesses.

Please consult with our tax team if you require further review on whether your Korean operation is eligible for any of the tax relief measures above.

#### ■ **Government subsidy for travel industry that are affected by COVID-19 pandemic for job security of their workers**

To be qualified for this government subsidy, the affected company should have implemented employment retention measures such as cessation of business (휴업 in Korean) or leave of absence (휴직 in Korean) without reducing its number of workers. The eligible companies may receive up to KRW 1,980,000 max per month and per person (KRW 66,000 per person and per day). In addition to the implementation of employment retention measures, companies should also meet certain requirements such as 50% increase in inventory, reduction in production volume, sales decrease by 15% or more, etc.

#### ■ **Coronavirus employment retention subsidy**

To help businesses from the COVID-19 outbreak, Korea is topping up a financial support package to encourage companies to keep hold of their employees. The extra funds amount to nearly 325 million US Dollars raising the total financial support fund to be more than 405 million US Dollars. Government said the support will be available for all industries and will be distributed between April and June 2020. It is expected that the subsidies would help companies trying to maintain their employment numbers despite the challenging economic climate. It means that, even if the businesses have to close temporarily, they will retain their workers on the books. The government said that the applications for the subsidies have been strong across all industries. The subsidies are expected to help companies fend off bankruptcy and avoid a sharp contraction of jobs. The coronavirus impact is making manufacturing almost impossible. The support will help workers sustain their wages and their spending capacity.

To encourage higher retention of employment, 67% (large sized company) or 90% (small and medium sized company) of employment suspension allowance paid shall be subsidized by the government for 3 months from April to June 2020. To qualify for this government subsidy, the employer shall submit an application together with its employment retention plan to the government, and the employer should have been enrolled at the unemployment insurance for its employees.

#### ■ **Government subsidy for statutory paid leave granted to hospitalized/quarantined workers**

The government subsidy for paid leave will be available to employers who have granted paid leave to hospitalized or quarantined workers in accordance with the Infectious Disease Control and Prevention Act. The amount of support is based on the daily wage of the worker (up to KRW 130,000 per day) and employers can apply for the subsidy to the National Pension Service.

#### ■ Reduction in statutory social insurance premiums for employer and employee

Korea government is discussing to reduce the monthly social insurance premiums and for now, for the employee whose monthly national health insurance premium is less than the 20% in the bottom in the scale (50% in the bottom for the designated disaster areas), 50% of monthly national health insurance premiums for 3 months from March to May 2020 shall be subsidized by the government for the qualified employees. Please consult with our payroll service team if you require further review on whether your Korean operation is eligible for this reduction program.

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Very fortunately, the number of confirmed patients has been sharply decreasing since last week in Korea and we are hopeful that the situation will improve significantly and the COVID-19 can be contained successfully within the next couple of weeks in Korea.

We are confident that we will prevail this difficult time and all our firm members at Hanul LLC wish you and your family the very best of health.

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

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