



## GES NewsFlash

# Korea — Proposed Increase in Flat Tax Rate Individual Income Tax Incentive for Foreigners

August 27, 2012

### In this issue:

#### Summary

#### Proposed Increase in flat tax rate individual income tax incentive for foreigners

#### Deloitte's view

#### People to contact

### Summary

It has been recently announced as part of the annual tax law revisions proposed by the Ministry of Strategy and Finance for the 2013 tax year to increase the flat tax rate incentive for foreigners.

### Proposed Increase in flat tax rate individual income tax incentive for foreigners

Under the Tax Incentives Limitation Law, foreigners are allowed a flat tax rate election as an alternative to the regular progressive tax rates when calculating individual income tax liability on earned income. If elected, a flat rate of tax of 15 percent (16.5 percent, including 10 percent local income tax surcharge) may be applied to gross earned income, with no deductions, income exclusions, or tax credits allowed, in lieu of the regular progressive individual income tax rates, which range from 6 percent to 38 percent (6.6 percent to 41.8 percent, including local income tax surcharge).

Under the Tax Incentives Limitation Law, the current flat tax rate individual income tax incentive for foreigners is due to expire on December 31, 2012.

As part of the annual proposed tax law revisions for the next year (2013), the Ministry of Strategy and Finance has proposed to extend the flat tax rate incentive for foreigners for two years to December 31, 2014. It also proposed to increase the flat tax rate by two percentage points from the current 15 percent to 17 percent (18.7 percent, including local income tax surcharge).

The proposed tax law revisions will be deliberated by the National Assembly and finally approved in late December 2012.

### Deloitte's view

Since when electing the flat tax rate the foreigner is giving up deductions in the income tax calculation, there is a threshold where the flat tax rate becomes more beneficial. Currently with the 15 percent flat tax rate, the threshold where the flat tax rate generally becomes more beneficial is at an annual gross earned income over KRW 120,000,000. If the flat tax rate increase is approved, the threshold where the flat tax would generally become more beneficial would increase to approximately KRW 135,000,000.

Companies should take into consideration the possibility of an increased Korean income tax liability for foreigners for tax years beginning January 1, 2013.

## People to contact

If you have any questions concerning the issues in this GES NewsFlash, please contact one of the following tax professionals at our Deloitte offices:

Kyung Su Han  
Tel: +82 2 6676 2500  
[kyungsuhan@deloitte.com](mailto:kyungsuhan@deloitte.com)

Min Soo Seo  
Tel: +82 2 6676 2590  
[mseo@deloitte.com](mailto:mseo@deloitte.com)

Jeffrey Trageser  
Tel: +82 2 6676 2588  
[jtrageser@deloitte.com](mailto:jtrageser@deloitte.com)

This NewsFlash information is also included in our biweekly GES newsletter, *Global InSight*, which you will receive directly if you are on our central distribution list.

If you are not on our central distribution list and received this communication by some other means, you can follow these simple steps to be added to the central distribution list:

- Go to the [Deloitte Subscriptions Page](#) on Deloitte.com
- Enter your email address to log in or create a profile
- On the next page, enter your contact information and, under “Email Newsletters” (Tax), choose “Global InSight”
- Click “Save Profile”

Be sure to visit us at our website: [www.deloitte.com/tax](http://www.deloitte.com/tax).

[Back to top](#)

---

[Home](#) | [Security](#) | [Legal](#) | [Privacy](#)

© 2012 Deloitte Anjin LLC

Deloitte Anjin LLC is a member firm of Deloitte Touche Tohmatsu Limited. Deloitte Anjin LLC is among the nation's leading professional services firms, providing audit, tax, consulting, and financial advisory services through over 2,100 people. For more information, please visit our website at [www.deloittekorea.co.kr](http://www.deloittekorea.co.kr).

 [Deloitte RSS feeds](#)