

IV. Examples of Actual Q&A on NTS website

1. Question on taxes deducted from salary by employer

A. Question

I am currently teaching as an English teacher in Korea. I am earning ₩1,900,000 per month, and am being taxed at a rate of 7% per month....₩133,000 is deducted from my pay each month. I have been informed that this amount is incorrect, and I should only be getting 3.5% deducted per month. Can you tell me if this information is correct?

If I suspect that my Employer has not registered me with the NTS, and are not paying my taxes at all, is there any way I can find out. I do not wish to work for a dishonest employer. I have tried requesting a copy of my tax certificate from my Employers, but this has been denied.

Your advice and answers would be appreciated.

B. Answer

As far as individual income tax is concerned, when you have earned monthly income of ₩1,900,000, the income tax amount to be withheld from your wage is ₩28,830 monthly according to the Simplified Tax Withholding Table (assuming the number of your family is one, just yourself, which means you have no qualified spouse or dependents who live together with you in Korea).

However, to take into account the contribution amount under the National Pension Scheme, the amount to be deducted from your monthly income may increase. Although, National Tax Service is not in charge of the National Pension Scheme, We would like to outline the system briefly for your convenience.

Generally speaking, foreigners working at the workplace with more than 5 full-time employees are included in the mandatory coverage of the Scheme, with some exceptions (For further information, contact National Pension Corporation to the number 1355 without dialing code). The contribution of workplace-based insured persons is equally shared between the employer and the employee.

The contribution rate for the insured person is 9%, which is normally calculated by

multiplying the insured person's Standard Monthly Income shown on the National Pension Contribution Table, which has a similar function to Simplified Tax Withholding Table for income tax withheld, by contribution rate.

In the case of monthly income of 1.9 million won, the portion of contribution an employee should assume, which is to be deducted from his/her wage, is ₩83,700. To sum up, in your case, the amount deducted from your monthly salary will be at least ₩112,530(Income Tax withheld + National Pension Contribution). Moreover, a bit of residence tax and medical insurance fee may be added.

To add one thing, your employer should accept your request to present a copy of your tax certificate(Receipt for Wage & Salary Income Tax Withholding). When you retire from your current job before the end of this year, your employer would have responsibility to have your tax status settled for you at the time of your retirement. So, you could get tax refunded or pay more tax then from(to) your employer.

2. Question on tax return of a taxpayer who has income(s) other than earned income.

A. Question

I have been an employee in a company and earned salary income since August this year, and, happened to earn some performance fee from a TV broadcasting company. In this case, do I have to file the final tax return next year in addition to the year-end tax settlement of the end of this year?

B. Answer

You may be treated as a resident (taxpayer) when you have an occupation which requires you to reside in Korea one year or more. Then, you are supposed to file an income tax return for your worldwide income including your Korean source income. Therefore, when you do not have any foreign-source income, you only have to file a return on your Korean source income.

If you had Wage and Salary Income only, your income tax liability would be settled through the year-end settlement. However, in your case, as you had an occasional income (Other Income) from a television broadcasting company (80%

of the amount will be deducted as necessary expenses when calculating taxable income) as well as Wage&Salary Income, you are subject to file income tax return for the two kinds of income by the end of May next year to the district tax office concerned.

3. Difference in tax treatment between resident and non-resident

A. Question

I've been here in Korea just for three months working at a company incorporated in Korea. Recently the company requested me to hand in an application of tax allowances for year-end tax settlement. My question is whether there is any kind of discrimination against foreign labor-income earners.

B. Answer

A person is for the tax purpose either a resident or a non-resident of Korea depending on his status on residence or domicile. Thus, you have to identify whether you are to be treated as resident or non resident (Having a job which substantially needs more than 1 year of stay in Korea, you may meet the criterion for resident even if you have resided in Korea less than 1 year).

A resident is liable to income tax on items of income derived from sources both within and outside Korea. On the other hand, a non-resident is liable to income tax only on items of income derived from sources within Korea. Under the income tax law, income earned by both residents and non-residents is subject to global and schedular taxation. Under global taxation, real estate rental income, business income, earned income, temporary property income, and miscellaneous income attributed to a resident are aggregated and taxed progressively. Interest and dividends are subject to tax withholding. Non-residents are similarly taxed on income from Korean sources. The tax rates on individual income range from 9% to 36%.

Although most of the provisions concerning the tax base and tax amount of residents shall apply to a non-resident who has earned wage and salary income in Korea, the non-resident taxpayer is not entitled to basic deduction(except for oneself), additional deduction(except for oneself) and special deduction.

4. Other Frequently Asked Questions

● What kind of taxes are there in Korea?

Taxes in Korea comprise national and local taxes. National taxes are divided into internal taxes, customs duties, and three earmarked taxes; the local taxes include province taxes and city & county taxes as shown below.

The national internal taxes consist of direct and indirect taxes, and each consists of six and five taxes, respectively. Of these eleven taxes, Income Tax, Corporation Tax, and Value Added Tax make up the bulk of the Korean tax revenue. There also exist three national earmarked taxes, Transportation Tax, Education Tax, and Special Tax for Rural Development; the revenues from these sources go directly to pre-designated government programs.

There are seventeen local taxes, and they are divided into province and city & county taxes. At the province level, there are four ordinary taxes and three earmarked taxes. At the city & county level, there are eight ordinary taxes and two earmarked taxes. In the six large specially designated cities that are run as autonomous local administrative units, the tax composition is slightly different from that of the provinces and cities or counties, although the residents are required to pay the same taxes.

● What is the concept and functions of Taxpayer Associations for Class B wage and salary income earners?

Class B wage and salary income earners may organize taxpayer associations through which they may pay taxes. A taxpayer association shall collect income tax from the members each month. And income tax for each month collected by a taxpayer association will be paid to the government by the 10th day of the following month. Tax credit for payment of tax by taxpayer association is 10%.

● Would you explain withholding tax settlement for Class A wage and salary income in brief?

If wage or salary is paid monthly, the tax amount to be withheld is calculated by the "Simplified Tax Table" attached at the end of the Income Tax Law. Then a person subject to tax withholding must calculate the total annual tax amount in

January of the following year or at the time of the last payment of income in the year (i.e., when the income earner completes employment during the year) and collect or refund the difference between the tax amount payable. This amount is calculated by applying the basic tax rates and the tax amount withheld, already through the Simplified Tax Withholding Table

● **What are penalty taxes to my employer on failures to withhold tax and on failures to report withholding invoices?**

If a person subject to tax withholding fails to withhold tax at source or fails to pay the government tax withheld within the payment period, a penalty of 10% of the amount of tax not withheld is added to the amount of withholding tax. On the other hand, if a concerned person fails to submit a payment report within the reporting period or if the reported facts concerning payment are found to be unclear as specified by the Presidential Decree, a penalty in the amount of 2% of the payment due shall be charged.

● **Is there a way we can get a refund for last year's income tax?**

The tax amount taken off your wage is treated as a credit against the overall amount of tax payable by you for the tax year in question. In January of the following year or at the time of the last payment of income in the year, your tax liability is settled and finalized through exact calculation by applying the related tax rates. And then, the balance between the sum of the amount of tax withheld monthly and final tax due to be paid is collected or refunded to you, which means you have to check your tax settlement with your employer.



Helpline for Foreigners

02-397-1440