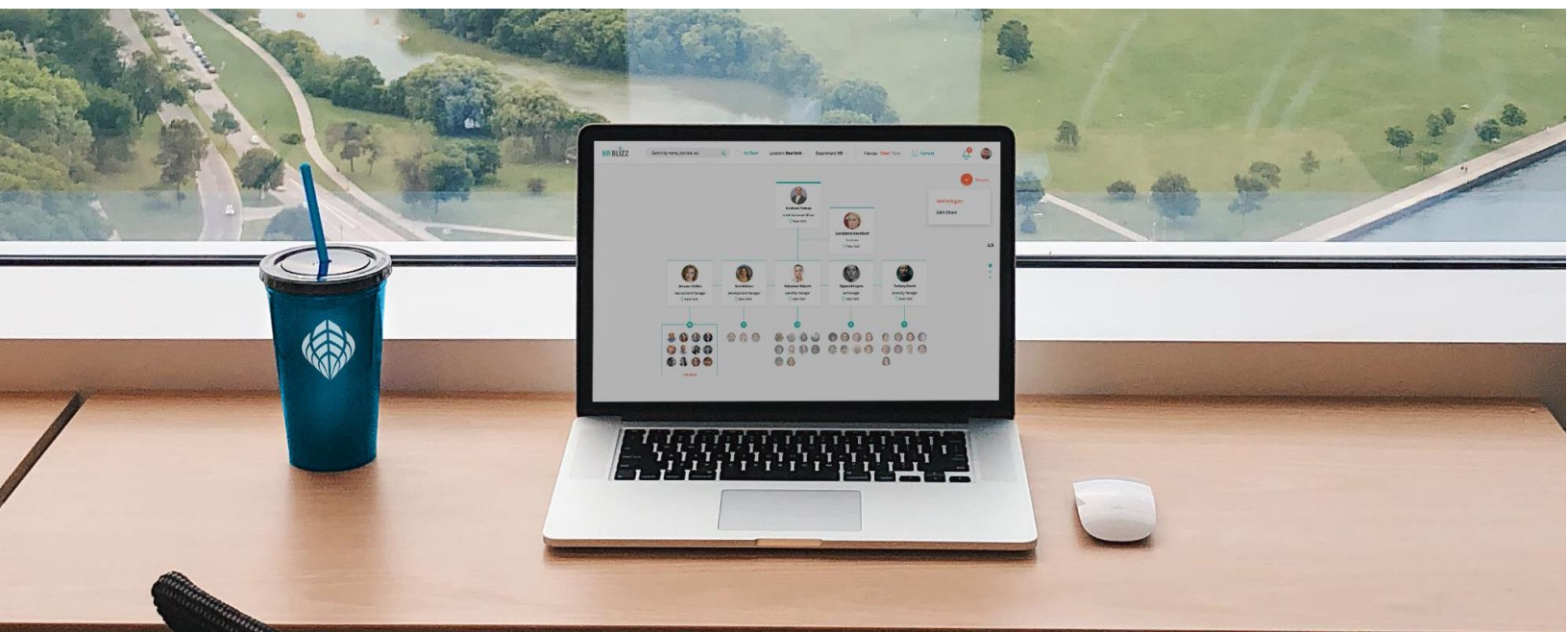




Simplifying Employment
Tasks Worldwide

Payroll & Tax Highlights

2022 Global Payroll Country Guide for South Korea



SOUTH KOREA



6 June 2022



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Thank you for trusting Mercans to outsource your HR and Payroll functions. We propose HR consulting services, actionable solutions, and cost-effective global payroll processing tools to energize your human capital management in real-time and augment your performance. We are dedicated to becoming your business growth facilitator.



Global Payroll Solutions – Boost your HR brand and employee satisfaction

Rationalize your HR budgets, monitor your data, and optimize your global payroll tasks in real-time. Systematize processes and streamline HRM lifecycles with HR Blizz™, our unified SaaS platform, to ensure your employees are paid accurately and on time.



PEO/GEO Services – Easily hire, deploy and manage your workforce abroad

A reliable Professional Employer Organization (PEO), Mercans is your trusted employer of record to globally select, engage, and manage highly qualified personnel on your behalf, through integrated Global Employment Outsourcing (GEO).



Global Talent Acquisition – Quickly fill vacancies with only the best candidates

Mercans supports you in designing/deploying long-term HR strategies and processing full-cycle recruitment. Our ATS Suite Mesar™ and our hiring experts help to screen, select, attract the right candidates for your organization and populate your pipeline of prequalified talents.



BPO Services – Reclaim the focus on your core activities to expand your business

Concentrate on the essentials: outsource non-primary activities and your front- and back-office functions to Mercans. Save the time, money, and energy needed to refine the value chain engagement of your customers and suppliers and increase revenue.



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Centralize your HR function on an all-in-one user-friendly and self-service platform. Combined with the expertise of our consultants, the Mesar SaaS offers a built-in applicant tracking system and easy-integration features to improve internal processes.



Local Statutory Compliance – Forget the hassle of setting up branches abroad

Mercans seasoned HR advisory team are compliance experts specialized in local cultures, business protocols, and tax and legal specificities. They are committed to ensure quick go-to-market abroad and achieve a compliant global expansion, risk-free from A to Z.



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Mercans at a Glance

160+

Countries

20

Years of Success

850+

Payroll and HR Specialists

8k+

Clients Worldwide

97%

Client Retention Rate

1.5X

Annual Revenue Growth

45k+

Largest Single Country
Payroll

9M+

Pay Slips per Annum

0

Security Breaches

Number one for outsourced payroll services, we are endorsed by international authorities.



Mercans has the highest industry quality and IT security certificate





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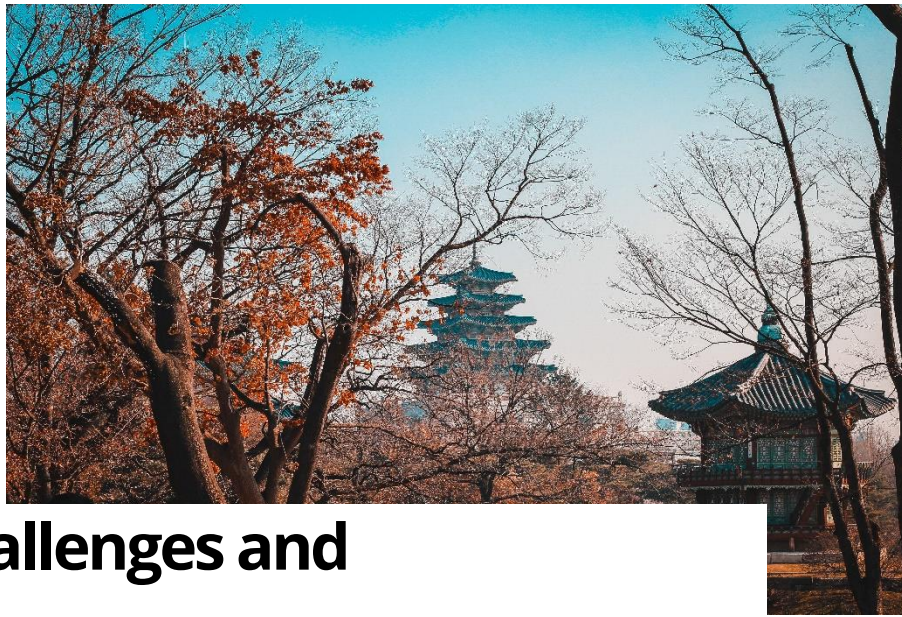
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South Korea – Challenges and Opportunities.

In little over half a century, South Korea has managed to transform itself from a deeply impoverished nation to one of the world's leading economies. It achieved this whilst at the same time restricting Direct Foreign Investment (FDI) and with a strongly interventionist government which dictated policy and goal-setting to local industry. Over the same period, it moved from being a follower of product development to a global leader of innovation. And this has massively improved the overall affluence of its citizens.

As Korea's long-established strength in the steel and petrochemical industries has waned in recent years, the country's leaders are looking to more technology-intensive industries to drive future growth. The industries targeted by the Korean Government include healthcare (medical devices, pharmaceuticals, and biotechnology), industrial chemicals, information technology (IT) components, semi-conductor manufacturing, aerospace and defense, energy, environmental technology, transportation (including reviving the shipbuilding industry). The companies have already begun to identify opportunities in these growing industries

Additionally, some firms have started partnering with local Korean companies to expand market opportunities to third-country markets, including ASEAN, the Middle East, and other Indo-Pacific markets.

Some of the challenges faced by companies attempting to conduct business in Korea include unique industry standards, less than transparent regulations, resistance to foreign business models, and competition and price pressures from domestic manufacturers. In addition to these challenges, firms that are innovative, patient, and committed to entering the Korean market will find business to be rewarding and Koreans to be eager and loyal customers.

Small- and medium-sized enterprises (SMEs) must remain flexible with Korean business counterparts pertaining to contract terms, such as renegotiating price, quantity, and delivery terms, following business deals or bilateral contractual agreements. The traditional approach to business deals in Korea, where the signing of a contract is perceived as just the beginning of a business relationship.

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Basic Facts

Official State Name	Republic of Korea (ROK)
Population	52 million (2022)
Capital	Seoul
Major Languages	Korean
Currency	Won (1 South Korean Won equals 100 Jeon)
Main Industries & Export Articles	Main Industries: Shipbuilding, Automobiles, Mining, Tourism Top 4 Exports: Electrical machinery, equipment Machinery, including computers Vehicles Plastics, plastic articles
GDP Growth	4.0% in 2021
Internet Domain	.kr
International Dialing Code	+82
Dates & Numbers	dd/mm/yyyy



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Doing Business in South Korea

South Korea is steeped in key Confucian attitudes which have enabled this economic miracle to occur. Confucianism extols the virtues of education; South Korea's approach to education is universally lauded and endlessly studied. Confucianism places emphasis on frugality and loyalty; hard work and acceptance of temporary hardship, bringing their own rewards over time.

If you are thinking of doing business in South Korea (and you really should be), then one of the key elements of successful engagement with South Korean counterparts and potential partners must be linked to gaining a better understanding of South Korean business culture. If you don't understand how companies are structured locally, how do you know who you should be speaking to? If you are not aware that South Korea is group-oriented in its approach, how can you understand the local decision-making process?

Entity Registration & Incorporation Requirements

A new company is required to apply for registrations for its employees within 15 days of the first month which allows the company to start paying monthly withholding payroll tax by the tenth day of the next month. In addition, a new company is subject to tax registration within 20 days after the start day of business to comply with all Korean tax laws including withholding payroll tax. The timescale for completion of this process is four weeks.

Key Points for Business Setup

Here list out the foreign company registration process in Korea step by step:-

- Ensure institution name to be approved at the beginning, a place what shall be used correspondence, MOA, Papers those are attested by the person of government endorsed, license for starting, and others those required permissions including VAT to doing foreign trading;
- Hundred percent nonresident ownership is allowed;
- To begin fresh enterprise one share member is required with one director and no domestic entrepreneur id required;
- Corporate tax twenty percent if capital is two hundred million KRW;
- Corporate tax ten percent if capital is one hundred million;
- To incorporation a fresh entity almost US Dollar ten thousand is required;
- More than fifty percent share amount can be owned by nonresident;
- Trade tax is applicable eleven to twenty-four on capital increasing;
- Business VAT rate is ten percent;
- Government encourages to invest in different sectors to generate profit using resource of Korea;



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- In case of joint venture enterprise nonresident sponsors shall hold maximum number of shares of the entity;
- All non-domestic organisation shall follow rules of government running business, Korea Foreign Company Registration;

Type of Business

Corporation (*Hoesa*)

There are five classes of corporation, outlined as follows:

- **Limited corporation:**
 - *Chusik Hoesa* (CH): A corporation incorporated by one or more promoters, with each shareholder's liability limited to the amount of contributed capital. This type of entity is the most commonly used in Korea.
 - *Yuhan Hoesa* (YH): A corporation incorporated by one or more members, with each member's liability limited to the amount of that member's contribution to the corporation.
 - *Yuhan Chegim Hoesa*: A corporation incorporated by one or more members, with each member's liability limited to the amount of that member's capital contribution. With significantly fewer restrictions for establishment and operation, *Yuhan Chegim Hoesa* provides more flexibility and self-control than YH.
- **Unlimited corporation:**
 - *Hapmyong Hoesa*: A corporation incorporated jointly by more than two members who are responsible for corporate obligations if the assets of the corporation are insufficient to fully satisfy those obligations.
 - *Hapja Hoesa*: A corporation composed of one or more partners who have unlimited liability and one or more partners with limited liability.

Partnership

Hapja Johap is a legal form of partnership allowed under the Commercial Code.

Joint venture

A joint venture is generally established as a domestically incorporated corporation whose shareholders have limited liability regarding the obligations of the corporation under the Commercial Code.



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Branch

A foreign corporation can perform its business operation in Korea by setting up a taxable presence in the form of a branch office. The branch office can be classified as a corporation and be taxable under the CITL if one of the following conditions is met; otherwise, the foreign entity shall be classified as an individual and be subject to the Individual Income Tax Law:

- The foreign entity is a corporation under the laws of one's home country.
- The foreign entity is composed of only limited liability members.
- The foreign entity has an independent ownership of assets or separate right of lawsuit from its members.
- An entity similar to the foreign entity is classified as a corporation under Korean law.

Liaison office

A foreign corporation can establish a liaison office, which is not allowed to execute income-generating business activities in Korea.

Sole proprietorship

Sole proprietorship is not a legal form of entity in Korea.

Financial Statements

In Korea, the taxable year is on a fiscal-year basis as elected by the taxpayer. However, it cannot exceed 12 months.

A corporation must file an interim tax return with due payment for the first six months of the fiscal year, and the filing/payment must be made within two months after the end of the interim six-month period.

A corporation must file an annual tax return with due payment for the fiscal year, and the filing/payment must be made within three months (four months for the consolidated tax return) from the end of the fiscal year. In case the external audit is not completed and the financial statements are not fixed, a corporation can request for extension of tax filing by one month with delinquent interest of 1.2% *per annum*.



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Audit Requirement

There are two main categories of tax audits, periodic (regular) and non-periodic (special) tax audits. Periodic audit is conducted to verify compliance with tax obligations where an alleged non-compliance is found as a result of the tax compliance measurement analysis, where the random selection of sample items to be verified is used and where a company has not been subject to any tax audit for the last four years (i.e. period of audit cycle) or longer. Non-periodic audit is conducted where a taxpayer does not comply with tax compliance obligations under tax laws, where transactional facts are not in line with what was reported (e.g. transactions without authentic documentation, disguised or fictitious transactions), where concrete information on its tax evasion is reported, and where an obvious evidence of omission or error is found from the submitted documentation.

An official notification of an intended tax audit must be made 15 days prior to the audit. The notification must be given in writing with prescribed details, including tax items and period subject to audit and reason for examination.

Tax Office Registration and Administration Structure

The tax authority in Korea is the National Tax Service (NTS). Audit targets are picked by random sampling. As part of the government's commitment to identify and tax the underground economy, a continued focus and close watch is placed on offshore tax avoidance and evasion, hidden assets of high net-worth individuals or businesses under borrowed names, suspected wealth transfers, and shadow cash transactions.

Banking

The banking system in South Korea is as advanced as in most Western countries and is also relatively simple and user-friendly.

Some of the better-known banks in South Korea include KEB Hanna, Woori Bank, Kookmin Bank (KB) and Shinhan Bank. International banks such as Citibank, HSBC and Bank of America also operate in the country.

Banking hours in South Korea are generally from 9am to 4pm during the week. Very few bank branches are open on weekends. However, on-line or telebanking transactions are possible regardless business hour.



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Working Hours

Standard working hours within South Korea are 8 hours per day, 40 hours per week, up to a maximum number of 52 working hours per week.

All hours exceeding the standard 40 hours are paid as overtime and are regulated by employment contract/collective agreements. In general, overtime is paid at 150.00% of the standard salary rate, increasing to 200.00% for night work (after 10 pm). There is a maximum total number of overtime hours per week of 12 hours.

Labor Standard Act

The Labor law in South Korea is regulated mainly by the Labor Standards Act amended as of 2018. The Act governs the terms and conditions of employment such as working hours, holidays, rest periods, wages, overtime, leave and termination of employment, etc. The Labor relationships are also governed by Support for Work-Family Reconciliation Act No. 3989 of 1984.

The purpose of this Act is to establish the standards for terms and conditions of employment in conformity with the Constitution, thereby securing and improving the fundamental living standards of workers and achieving a well-balanced development of the national economy.



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Tax & Social Security

Tax filing in South Korea

In Korea, the taxable year is on a fiscal-year basis as elected by the taxpayer. However, it cannot exceed 12 months.

A corporation must file an interim tax return with due payment for the first six months of the fiscal year, and the filing/payment must be made within two months after the end of the interim six-month period.

A corporation must file an annual tax return with due payment for the fiscal year, and the filing/payment must be made within three months (four months for the consolidated tax return) from the end of the fiscal year. In case the external audit is not completed and the financial statements are not fixed, a corporation can request for extension of tax filing by one month with delinquent interest of 1.2% per annum.

PIT will be assessed for one year from 1 January to 31 December. If a resident should move out of the country, relocating the domicile or residence, the PIT shall be imposed for the period from 1 January to the date of departure from the country.

A resident with global income, retirement income and capital gains are required to file a return on the relevant tax base for the tax year. The return is required to be submitted even if there is taxable income but no tax base or a deficit in the particular year.

An individual income tax return is to be filed and the income tax paid during the period from 1 May to 31 May of the year following the tax year concerned except for certain specified cases. If a taxpayer fails to fulfil these obligations, a penalty tax shall be imposed.

Class A wage and salary earners who receive other income, such as interest, dividends, property or Class B salary income, which are not subject to periodic income tax withholding, must file a tax return on their composite income. For certain types of interest and dividends that are subject to tax withholding at source, the amount withheld is considered to be the final tax and the income may be excluded from total taxable income.

Expatriates who receive only Class A salary income and/or retirement income are not required to file a tax return prior to leaving Korea but to submit the documents necessary for the year-end settlement to their employer. However, expatriates who receive income other than Class A



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salary income shall file their tax returns prior to leaving Korea for the period from 1 January to the date of departure from Korea.

Types of Taxes

Taxes in Korea are divided into national taxes imposed and collected by the central government and local taxes imposed and collected by local governments. Among these, national taxes are divided into domestic taxes and customs duties. Among the various types of taxes, the types most commonly encountered by business operators in Korea, including foreign-invested companies, are corporate tax (corporate), income tax (individual), and value-added tax. This is because business taxpayers must file a quarterly value-added tax (VAT) return and corporate tax or income tax on annual income. These three tax items also constitute the largest tax revenue, accounting for about 80% of all of the central government's tax revenues. In this regard, this book focuses on the three taxes that are most commonly encountered by foreign-invested companies in Korea, namely corporate tax, income tax, and value-added tax, as well as the following tax items that are paid when establishing a corporation, transferring stocks, and acquiring and holding business assets (building, land, etc).

National Tax

1. Corporate Tax

Resident corporations are taxed on their worldwide income, whereas non-resident corporations with a permanent establishment (PE) in Korea are taxed only to the extent of their Korean-source income. Non-resident corporations without a PE in Korea are generally taxed through a withholding tax (WHT) on each separate item of Korean-source income (*see the Withholding taxes section*).

The following tax table summarises the corporate income tax (CIT) rates applicable for the fiscal year starting on or after 1 January 2018:

Tax base (KRW* million)		Tax Rate **	
Over (Column 1)	Less than	Tax on Column 1(KRW) **	Marginal Tax Rate (%)
0	200	0	10
200	20,000	20	20
20,000	300,000	3,980	22
300,000		65,580	25

* Korean won

** Before applying the local income tax.

2. Income Tax

- **Personal income tax (PIT) rates**

The following tax table summarises the basic global income tax rates applicable for the income received from 1 January 2021 and thereafter.

Annual taxable income (KRW* thousands)		Tax Rate **	
Over (Column 1)	Less than	Tax on Column 1(KRW) **	Marginal Tax Rate (%)
0	12,000	0	6
12,000	46,000	720	15
46,000	88,000	5,820	24
88,000	150,000	15,900	35
150,000	300,000	37,600	38
300,000	500,000	94,600	40
500,000	1,000,000	174,600	42
1,000,000		384,600	45

* Korean won

** Before applying the local income tax.

- **Local income tax**

Besides the above PIT, there is also a local income tax that is assessed at a rate of 10% of the PIT rates.

- I. PIT is paid to the National Tax Service (NTS).
- II. Local income tax is paid to the city or the province that is the domicile of the taxpayer.



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Annual taxable income (KRW thousands)		Tax Rate **	
Over (Column 1)	Less than	Tax on Column 1 (KRW) **	Marginal Tax Rate (%)
0	12,000	0	0.6
12,000	46,000	72	1.5
46,000	88,000	582	2.4
88,000	150,000	1,590	3.5
150,000	300,000	3,760	3.8
300,000	500,000	9,460	4.0
500,000	1,000,000	17,460	4.2
1,000,000		38,460	4.5

- **Alternative minimum tax (AMT)**

The AMT, with exceptions, will be calculated at the greater of 45% of income tax liability (35% applied to income tax liabilities of up to KRW 30 million) before exemptions or actual tax after exemptions.

The AMT is applied to business income of a resident individual and Korean-source business income of a non-resident individual, but it is not applied to employment income.

3. Value-added Tax (VAT)

VAT is levied at a rate of 10% on the supply of goods and services, except zero-rated VAT on certain supply of goods and services (e.g. goods for exportation, certain eligible services rendered to non-residents earning foreign currency, international transportation service by ships and aircraft) and exemption on certain goods and services (e.g. basic life necessities and services, such as unprocessed foodstuffs and agricultural products; medical and health services; finance and insurance services; duty-exempt goods). The zero-rated VAT only applies to the supply of certain services that are provided to a non-resident or a foreign corporation without having a PE in Korea on a reciprocal basis. They include professional services (e.g. legal, accounting, tax, advisory, market survey, management consulting), business support services (e.g. human resources outsourcing, office support, employment placement agency), and investment advisory services.

4. Securities Transaction Tax

Securities transaction tax (at the rate of 0.43% for unlisted shares or interest) is imposed on the transfer of shares or interest, but the government is authorised to adjust the tax



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rate in certain circumstances. The flexible tax rate prescribed by the Presidential Decree is 0.23% (including agriculture and fishery surtax) for shares traded on the Korea Stock Exchange, 0.23% for shares traded on the Korean Securities Dealers Automated Quotations (KOSDAQ), and 0.1% for shares traded on the Korea New Exchange (KONEX).

5. Comprehensive Real Estate Holding Tax

A comprehensive real estate holding tax, as a national tax, ranging from 0.5% to 6% is charged on a certain excessive aggregated statutory value of land and houses. It is levied annually based on the date of 1 June.

Local Tax

1. Corporate Local Income Tax

The local income tax is a separate income tax that has its own tax base, tax exemption and credits, and tax rates. The local income tax rates for corporations are 1% on the first KRW 200 million, 2% for the tax base between KRW 200 million and KRW 20 billion, 2.2% for the tax base between KRW 20 billion and KRW 300 billion, and 2.5% for the excess.

2. Registration Tax

In principle, registration tax is included in the acquisition tax. However, in some cases, a separate registration tax ranging from 0.2% to 5% is charged upon the act of registering the creation, alteration, or lapse of property rights or other titles and incorporation with the concerned authorities. Registration tax upon the registration of title or right and incorporation for corporations located in a designated metropolitan area may be subject to three times the normal rate of 0.4%.

3. Acquisition Tax

Acquisition tax is charged on the price of real estate, motor vehicles, construction equipment, golf membership, boats, etc. The acquisition tax rate varies depending on the type of assets subject to the tax, ranging from 1% to 7%. A weighted rate is charged on acquisitions in a designated metropolitan area or on acquisition of luxury items, such as villas, golf courses, and yachts. A 12% acquisition tax rate shall be applicable to the acquisition of a residential house by a corporation.

4. Property Tax

An annual property tax, as a local tax, ranging from 0.07% to 5% is charged on the statutory value of land, buildings, houses, vessels, and aircraft. Five times the property



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tax rate is applied to factories that are newly constructed or expanded in a designated metropolitan area for the first five years.

Social Security System

There are four types of social security contributions in Korea, namely: National Pension (NP), National Health Insurance (NHI), Employment Insurance (EI), and Worker's Compensation Insurance (WCI).

National Pension (NP)

Assuming the employee is enrolled as a 'workplace-based insured person' under the NP scheme, employers are required to contribute an amount equal to 4.5% of salaries to the national pension fund. Employees are also required to contribute an amount equal to 4.5% of their salaries. As such, the total contribution rate is 9% of salaries per annum with both the employer and the employee splitting the 9% contribution equally. The employee contributions to the NP scheme are deductible in calculating taxable income.

National pension contribution is capped at a monthly salary of KRW 5,240,000, and the maximum monthly pension contribution to be paid by an employee is KRW 235,800 (subject to change every July) for the period from July 2021 to June 2022.

Foreigners working in Korea are required to contribute to the NP scheme unless there is a social security agreement between Korea and their home country and the individual remains under the home country social security scheme (*see Social security agreements under the Foreign tax relief and Tax treaties section for more information*).

Foreign participants (with few exceptions) withdrawing from the NP scheme due to a permanent departure cannot get a refund unless their home country has a social security agreement with Korea, or applies the same treatment to Koreans on a reciprocity rule in the absence of a social security agreement. Social security contributions paid to a foreign country are not deductible against Korean income under the Korean income tax law.

National Health Insurance (NHI)

In general, foreigners working in Korea are required to subscribe to the NHI program, which is mandatory for all foreign expatriates and employees who earn employment income in Korea.

Assuming the employee is enrolled as a 'workplace-based insured person' under the NHI scheme, as of 1 January 2022, the applicable premium rate, including long-term care insurance,



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is approximately 7.85% of the monthly wages (currently capped at a monthly contribution of KRW 8,203,680 in total, subject to change in 2023); split equally between employers and employees at approximately 3.924% each. The employee contributions to the NHI program are deductible in calculating taxable income.

By submitting relevant documents, certain foreigners can exempt themselves from the mandatory NHI scheme if they are already covered by insurance from their home country, foreign insurance company, or an employer that provides them with the equal or higher level of medical coverage as prescribed in the Korean NHI Law.

Employment Insurance (EI)

The obligation to contribute EI differs depending on the taxpayer's nationality and visa type. In general, a foreigner who holds a D-7, D-8, and D-9 (trade management) visa is required to participate in EI. Foreigners from certain countries are exempt from the EI obligation under a reciprocity principle, if the foreigner's home country does not require mandatory participation by Korean nationals' in the country's equivalent social security contribution.

Currently, the employee contribution rate for EI is 0.80% (0.90% starting from July 2022), but the EI rate for employers varies starting from 1.05% to 1.65% (1.15% to 1.75% starting from July 2022) depending on the number of employees and type of industry. In other words, in addition to the 0.80% (0.90% starting from July 2022) contributions to EI, employers are required to make 0.25%~0.85% contributions to employment stabilisation insurance and occupational competency development insurance.

Worker's Accident Compensation Insurance (WCI)

WCI is a state-run social security program for workers with work-related injuries, disease or disability, or any circumstance exposed to danger that can result in death while at work. Making contributions to WCI is compulsory only for employers. The contribution rate is imposed by the social security office considering working environments (currently from 0.7% to 18.6% of total wages and payroll, depending on the type of industry).

Other

There is also a severance pay system that requires no employee contribution. Severance pay or retirement income, is taxed separately from global income.



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Payroll

Before setting up your South Korea payroll, you'll need to establish a subsidiary in the country or choose a subsidiary alternative. Individuals will need a visa, and your company will have to decide which business structure is best for your expansion.

The steps to set up your payroll depend on what kind of structure you choose. Generally, you will need to register for the National Tax Information System, the Internet Registry Office, and local tax payments.

It is best practice in South Korea to draft a written employment contract when hiring employees. You can include entitlement and termination terms in this contract such as notice periods and severance payments. In South Korea, employers must provide at least 30 days notice or pay the employee 30 days of their salary instead.

Minimum Wage

The minimum wage rate is set each year under the Minimum Wages Act. It applies to all employees with very limited exceptions, for example, employees in their probationary period. The minimum hourly wage rate from 1 January 2021 is KRW8,720 (KRW1,822,480 per month).

There are no salary caps in South Korea. In principle, wages must be paid directly in full to employees and in money. Wages must be paid on a fixed date at least once a month.

Payroll Cycle and Pay Date

The payroll cycle in South Korea is generally monthly, and payments are usually made on the last working day.

There is no legislation for 13th-month payments in South Korea.

Working Hours

Restrictions on Working Hours. The LSA imposes a maximum 40-hour working week and eight-hour working day.

An employee's working time can exceed 40 hours per week or eight hours per day if their average weekly working time over a longer period (for example over two weeks and up to three months) does not exceed 40 hours. However, this is subject to certain restrictions, such as the requirement to obtain the employee representative's consent.



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From 6 April 2021, the average working hours can be calculated over a period of up to six months for businesses regularly employing 50 or more employees, public institutions, public corporations, and local public agencies. From 1 July 2021, this also applies to businesses regularly employing five or more employees.

Overtime

All hours exceeding the standard 40 hours are paid as overtime and are regulated by employment contract/collective agreements. In general, overtime is paid at 150.00% of the standard salary rate, increasing to 200.00% for night work (after 10 pm). There is a maximum total number of overtime hours per week of 12 hours.

Employees working in land transportation (excluding bus companies), marine transportation, air transportation, or other transportation services (e.g., parcel delivery) and healthcare industries) are allowed to work beyond the 12 hours of overtime in a week.

An employer shall not have any women for whom 1 year has not passed after childbirth, work overtime in excess of 2 hours per day, 6 hours per week, and 150 hours per year, even if the same has been provided by a collective agreement.

Social Security

There are four types of social security contributions in Korea, namely national pension, national health insurance, employment insurance, and worker's accident compensation insurance. For the first three types of social security taxes (i.e. national pension, national health insurance, and employment insurance), employees and employers jointly bear certain percentages of salaries. Meanwhile, the worker's accident compensation insurance is borne by employers only, which varies by industry types.

Employer Payroll Contributions

- 4.50% -- National Pension (taxable monthly income capped at 5,030,000.00 KRW)
- 3.83% -- National Health Insurance (monthly contribution capped at 7,047,900.00 KRW)
- 1.05% - 1.65% -- Employment Insurance
- 5.76% -- Long term care insurance (monthly contribution capped at 345,600 KRW)
- 0.70%-18.60% -- Worker Accident Compensation Insurance (rate is dependent on the type of business)
- 0.50% -- Resident Tax

16.34% - 34.84% -- Total Employment Cost

Employee Payroll Contributions

- 4.50% -- National Pension (taxable monthly income capped at 5,030,000.00 KRW)
- 3.825% -- National Health Insurance (monthly contribution capped at 7,047,900.00 KRW)



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6.86% -- Long term care insurance (monthly contribution capped at 345,600 KRW)

0.80% -- Employment Insurance

15.99% -- Total Employee Cost



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Employment Law

Labor Standards Act

- A Korean company should conclude a labor contract with every worker whom it directly employs.
- An employer, when concluding a labor contract, should clearly state terms of employment prescribed by the act. (Fine up to 5 million Won)
- An employer ordinarily, employing ten workers or more, should prepare rules of employment and submit them to the Ministry of Labor. (Civil fine up to 5 million Won)
- An employer ordinarily, employing ten workers or more, should keep workers informed of the rules of employment by posting or keeping the rules where workers can have free access to them. (Civil fine up to 5 million Won)
- Wages should be paid at least once per month on a fixed day. (Imprisonment up to 3 years or fine up to 20 million Won)
- If a worker retires, an employer should pay the wages, compensation, and other money or valuables within 14 days. (Imprisonment up to 3 years or fine up to 20 million Won)
- An employer should preserve a register of workers and other important documents regarding labor contracts for three years. (Civil fine up to 5 million Won)
- An employer should additionally pay fifty percent or more of the ordinary wages for overtime work, night work (work provided from 10 p.m. to 6 a.m.) or holiday work. (Imprisonment up to 3 years or fine up to 20 million Won)
- Over-time work is done based on agreement with workers. Overtime should not exceed 12 hours per week. (Imprisonment up to 2 years or fine up to 10 million Won)
- An employer should not require a pregnant worker and a worker aged less than 18 years old work from 10 P.M to 6 A.M. and on holidays. (Imprisonment up to 2 years or fine up to 10 million Won)
- For each minor under 18, an employer should keep, in the workplace, a certificate proving the child's family relationship and the written consent of the child's parent or guardian. (Civil fine up to 5 million Won)
- An employer should allow a worker more than one-day holiday with pay per week on the average. (Imprisonment up to 2 years or fine up to 10 million Won)



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- An employer should grant 15 days' paid leave to a worker who has registered more than 80 percent of attendance during one year. After the first year of service, an employer should grant one day's paid leave for each two years of consecutive service in addition to the leave for the first year. (Imprisonment up to 2 years or fine up to 10 million Won)
- An employer should grant one day's paid leave per month to a worker whose consecutive service period is shorter than one year, if the worker has offered work without absence throughout a month. (Imprisonment up to 2 years or fine up to 10 million Won)
- Working hours per week should not exceed 40 (or 44) hours excluding break hours. (Imprisonment up to 2 years or fine up to 10 million Won)
- Working hours of a person aged between 15 and 18 should not exceed seven hours per day and 40 hours per week. (Imprisonment up to 2 years or fine up to 10 million Won)
- An employer should grant a pregnant female worker 90 days of maternity leave before and after childbirth and should allocate 45 days or more after the childbirth. The first 60 days of leave is paid. (Imprisonment up to 2 years or fine up to 10 million Won)
- Employer should not dismiss any worker during a period of temporary interruption of work for medical treatment of an occupational injury or disease and within 30 days thereafter and any female worker before and after childbirth during a period of maternity leave and within 30 days thereafter. (Imprisonment up to 5 years or fine up to 30 million Won)
- An employer should give advance notice to a worker at least thirty days before dismissal. If the notice is not given thirty days before dismissal, ordinary wages of thirty days or more should be paid to the worker in lieu of notice. (Imprisonment up to 2 years or fine up to 10 million Won)
- If an employer intends to dismiss a worker, the employer should notify the worker of the reasons for and day of dismissal in writing.

Employment Agreement

In South Korea, minimum terms and conditions for employment are defined by the Labor Standards Act. An employee should have an employment contract in writing, which should include the following:

- Name and address of both the company and the employee
- Salary
- Working hours
- Details of holiday entitlement and paid annual leave



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- General working conditions
- Location of work
- Job description
- The amount of time an employee can take off for sick leave

Traditionally, employment contracts in South Korea were indefinite and employees worked until a given retirement age. Fixed-term, temporary and part-time contracts are now becoming increasingly common.

Fixed-term contracts cannot exceed two years and beyond this limit, an employee must be treated as if they have an indefinite contract. Part-time employees are entitled to the same working rights as employees who do the same job full time, in proportion to the hours worked. Employees who have at least an 80 percent attendance record at work are entitled to 15 days of paid holiday each year.

Working Conditions

Flexible Working

Employees eligible for parental leave can generally choose to work reduced hours for up to two years, instead of taking parental leave. Employees can request to reduce their working hours to care for their families or themselves, prepare for retirement when they are aged 55 or older, or pursue an academic career for up to one year.

Reduced working hours must be between 15 hours and 30 hours per week.

There are various flexible working hour systems available under South Korean laws, which are each subject to specific requirements and procedures (for example, flexible working hour system, selective working hour system, and deemed working hour system).

Special Restrictions Applicable to Shift Workers

Night work is work performed between 22:00 and 06:00. The employer must pay an additional 50% of ordinary wages for night work.

Rest Breaks

Rest Breaks During the Working Day. Employees are entitled to a rest break of one hour for each eight hours of work, or 30 minutes for each four hours of work.

Rest Periods Between Working Days. There is no specific rest period requirement between working days. However, employees are entitled to at least one paid day off per week.

Special Provisions for Night/Shift Work. There are no special provisions for shift workers.



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Holiday Entitlement

Minimum Paid Holiday Entitlement. Mandatory paid holidays are:

- Weekly holidays (typically Sunday).
- Labour Day (1 May).

Employees must receive 50% additional pay for eight hours' work on a holiday and 100% additional pay for exceeding eight hours' work on a holiday.

An employee who works a full year is entitled to 15 days of annual paid leave. An employee who has not completed a full year of work or has a less than 80% attendance rate in a year is entitled to one day of annual paid leave per month of full employment with perfect attendance. An employee with over three years of service is entitled to an additional one day of paid leave for every two years following the first year, up to a maximum of 25 days (*section 60, LSA*).

Leaves

Paid Time Off

Paid leave in South Korea is outlined in the employment contract as a minimum of 11 days paid leave a year, following completion of 1-year service, in addition to public holidays. This leave increases to 15 days paid leave when the employee is in the second and third years of service. From the third year and onwards, one additional day of paid leave is added to the entitlement upon completion of every two years of service up to a maximum of 25 days paid leave.

Sick Leave

Though there are no statutory laws regarding sick leave and sick pay, employers are obliged to pay workers for the duration of their recovery for any work-related illness or injury.

Maternity Leave

All female employees are eligible for maternity benefits, consisting of 90 days paid leave, increasing to 120 days for multiple/complicated births. The maternity leave is generally taken 45 days before the due date and 45 days after.

The maternity payment is made by a combination of social security/governmental payments and employer payments. For larger companies in South Korea, the employer should pay the maternity pay at 100.00% of the regular salary rate for the first 60 days. After which, the social security/government will provide support allowance for the remaining 30 days (capped 2 million KRW per 30 days) and with the employer having the option to provide the sum of money for any difference to the employee's regular salary rate. For small companies, the social security/government supports the employer throughout the 90 days.



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Paternity Leave

The father is entitled to mandatory paid paternity leave of a total of 10 days, five paid by the employer and five days paid by the social security/government, from the date that the child is born up to 90 days.

Other Leave

For any Work-related injury, employees are entitled to receive three months of paid leave with 70.00% of the employee's regular salary.

List of Holidays in South Korea in 2022

Date	Day	Name	Type	Comments
Saturday	Jan 01	New Year's Day	National Holiday	
Monday	Jan 31	Korean New Year Holiday	National Holiday	Seollal
Tuesday	Feb 01	Korean New Year	National Holiday	Seollal
Wednesday	Feb 02	Korean New Year Holiday	National Holiday	Seollal
Tuesday	Mar 01	March 1 st Movement	National Holiday	Independence Movement Day
Wednesday	Mar 09	Presidential Election Day	National Holiday	For Elections
Sunday	May 01	Labour Day	Not a Public Holiday	Not an official holiday but widely observed
Thursday	May 05	Children's day	National Holiday	
Sunday	May 08	Buddha's Birthday	National Holiday	8 th day of 4 th lunar month
Monday	Jun 06	Memorial Day	National Holiday	
Sunday	Jul 17	Constitution Day	Not a Public Holiday	
Monday	Aug 15	Liberation Day	National Holiday	National Day
Friday	Sep 09	Harvest Festival Holiday	National Holiday	Day before Chuseok
Saturday	Sep 10	Harvest Festival	National Holiday	Chuseok
Sunday	Sep 11	Harvest Festival	National Holiday	Day after Chuseok
Monday	Sep 12	Harvest Festival (in lieu)	National Holiday	Chuseok
Monday	Oct 03	National Foundation Day	National Holiday	
Sunday	Oct 09	Hangeul Day	National Holiday	Korean Alphabet day
Sunday	Dec 25	Christmas Day	National Holiday	



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Employment Termination

An employer must provide employees with at least 30-days' notice or they can pay the employee 30 days of salary in lieu of the notice as a dismissal notice allowance.

Employment contracts often provide for longer notice. As a contractual matter, an employee may be entitled to reasonable notice of termination (which can be as much as 12 months) in particular circumstances.

By Korean law, a full-time employee is entitled to receive severance pay equal to one month's salary for each year of employment if they have worked for at least one year and they have worked for more than 15 hours per week or more than 60 hours per month. Severance pay is to be paid within two weeks (14 days) of termination.

Probation periods in South Korea for permanent employees are generally between 1 and 3 months. It is rare for employers to terminate a contract once the probation/training has been completed since the company must pay unemployment.



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Immigration

South Korea has visa waiver agreements with more than 100 countries. This policy means that most visitors can enter South Korea and stay for a limited time without applying for a visa.

Citizens of these visa-free nations need to apply for an electronic visa waiver from September 2021. The visa waiver is already available to passport holders from 96 nations. The South Korea ETA registration process is 100% electronic.

To stay in the country for an extended period, a South Korean visa is required. Several different types of South Korea visas are currently available, including work visas, student visas, and business visas.

Other schemes, such as the APEC Business Travel Card, allow certain groups of visitors to enter without a visa.

Whether or not foreigners can take advantage of South Korea's extensive visa-waiver program depends on their nationality and how long they will stay in South Korea.

Travelers who are not exempt from visa requirements should apply at an embassy or consulate ahead of their trip.

Travelers should consider several factors when deciding which type of South Korea visa they require.

The first relevant point is the number of times they would like to enter South Korea: both single and multiple-entry visas are available.

Foreign citizens can then select one of the South Korea visa types listed below, based on their reason for entering the country and duration of the visit:

- ETA South Korea (from September 2021)
- South Korea Tourist Visa
- South Korea Business Visa
- South Korea Family Visit Visa (for more than 90 days)
- South Korea Work Visa
- South Korea Student Visa
- South Korea Working Holiday Visa

All visas must be obtained from a South Korea Embassy or Consulate. The South Korea ETA application process is fully online.



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Tourist Visa

South Korea tourist visas issued to foreigners who want to travel simply for tourism or recreational purposes. So, you can receive a tourist visa if you are travelling for one of the following reasons:

- Tourism
- Transit
- To receive medical treatment in a South Korean hospital
- To visit a family member/friend
- To attend a religious/cultural/sporting/musical event
- Another short-term reason

South Korea tourist visas allow the holder to stay in South Korea for up to 90 days. The holder of a tourist visa is not allowed to work or engage in any other remunerated activities.

Business Visa

You are eligible for a long-term Business Visa for South Korea if:

- You are a specialist who will work for a public or private organization in Korea to repair, install, or operate imported machinery
- You will work as a manager or specialist in a company in South Korea
- You are an Intra-Company Transferee
- You are a specialist in a foreign investment company in South Korea

Work Visa

If a foreigner wants to work in South Korea, they have to apply for a South Korea Work Visa. Foreigners eligible for a South Korea Work Visa include professors, foreign language teachers, researchers, and those working in another activity permitted by the Minister of Justice through a contract with a public or private organization or company in South Korea.

Student Visa

Foreigners who will enter South Korea to pursue their studies in a Korean educational institution have to apply for a South Korea Student Visa. They can be:

- Short-term Student Visas to attend a course of study that's shorter than 90 days.



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- Long-term Student Visas, to attend a course of study longer than 90 days, such as in a university or language school.

Working Holiday Visa

The South Korea Working Holiday Visa is available to citizens of countries that have a Working Holiday Agreement with South Korea (as listed below). The WHV allows the holder to remain in South Korea for up to one year, for the purpose of holidaying, working, or studying.

To receive the South Korea Working Holiday Visa, you must:

- Be from one of the eligible countries
- Be between 18 and 30 years of age (in some cases, the cut-off age is 25)
- Have sufficient funds to cover at least the beginning of your trip (at least KRW 3,000,000)
- You must not have received a South Korea Working Holiday Visa in the past
- Have a clean criminal record
- You must be travelling primarily for holidays (working or studying should be secondary purposes, otherwise you have to apply for a Student or Work Visa)

Family Visit Visa (for more than 90 days)

You have to apply for a South Korea visa for Family Visit purposes if you fall under one of the following categories:

- You will stay with a relative in South Korea for longer than 90 days
- You are the spouse of a South Korean national
- You are the dependent (spouse or child under the age of 20) of a South Korean temporary or permanent resident

You can also receive this type of visa if you are part of the South Korean diaspora or you once held South Korean nationality (Overseas Koreans).



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Simplifying Employment
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+1 877 MERCANS (637 2267) | Toll-Free

Europe: +44 20 328 777 62

North America: +1 646 798 5541

Middle East: +971 43 999 260

Asia: +81 50 5539 5354

info@mercans.com | mercans.com

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