

# Korea

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This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

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## Korea 2021

## The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
<b>1. Gross wage earnings</b>		31 504 188	47 021 176	78 525 365	31 504 188
<b>2. Standard tax allowances</b>					
Basic allowance		1 500 000	1 500 000	1 500 000	1 500 000
Married or head of family		0	0	0	0
Dependent children		0	0	0	3 000 000
Deduction for social security contributions and income taxes		1 417 688	2 115 953	2 772 900	1 417 688
Work-related expenses					
Other		11 432 740	14 275 852	17 308 173	12 432 740
<b>Total</b>		<b>14 350 428</b>	<b>17 891 805</b>	<b>21 581 073</b>	<b>18 350 428</b>
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		<b>17 153 760</b>	<b>29 129 371</b>	<b>56 944 292</b>	<b>13 153 760</b>
<b>5. Central government income tax liability (exclusive of tax credits)</b>		1 493 064	3 289 406	8 446 630	893 064
<b>6. Tax credits</b>					
Basic credit		740 000	660 000	500 000	491 185
Married or head of family					
Children		0	0	0	150 000
Other					
<b>Total</b>		<b>740 000</b>	<b>660 000</b>	<b>500 000</b>	<b>641 185</b>
<b>7. Central government income tax finally paid (5-6)</b>		753 064	2 629 406	7 946 630	251 879
<b>8. State and local taxes</b>		75 306	262 941	794 663	25 188
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		2 874 800	4 290 746	6 404 805	2 874 800
Taxable income					
<b>Total</b>		<b>2 874 800</b>	<b>4 290 746</b>	<b>6 404 805</b>	<b>2 874 800</b>
<b>10. Total payments to general government (7 + 8 + 9)</b>		<b>3 703 170</b>	<b>7 183 093</b>	<b>15 146 098</b>	<b>3 151 867</b>
<b>11. Cash transfers from general government</b>					
For head of family		0	0	0	0
For two children		0	0	0	1 200 000
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>1 200 000</b>
<b>12. Take-home pay (1-10+11)</b>		<b>27 801 018</b>	<b>39 838 084</b>	<b>63 379 267</b>	<b>29 552 322</b>
<b>13. Employer's compulsory social security contributions</b>		3 435 575	5 127 723	7 802 556	3 435 575
<b>14. Average rates</b>					
Income tax		2.6%	6.2%	11.1%	0.9%
Employees' social security contributions		9.1%	9.1%	8.2%	9.1%
Total payments less cash transfers		11.8%	15.3%	19.3%	6.2%
Total tax wedge including employer's social security contributions		20.4%	23.6%	26.6%	15.4%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		21.6%	23.3%	28.5%	14.8%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		29.3%	30.8%	32.8%	23.1%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

## Korea 2021

## The tax/benefit position of married couples

	Wage level (per cent of average wage)			
	100-0	100-67	100-100	100-67
	Number of children			
	2	2	2	none
<b>1. Gross wage earnings</b>	47 021 176	78 525 365	94 042 353	78 525 365
<b>2. Standard tax allowances</b>				
Basic allowance	1 500 000	3 000 000	3 000 000	3 000 000
Married or head of family	1 500 000	0	0	0
Dependent children	3 000 000	3 000 000	3 000 000	0
Deduction for social security contributions and income taxes	2 115 953	3 533 641	4 231 906	3 533 641
Work-related expenses				
Other	14 275 852	25 708 592	28 551 704	25 708 592
Total	22 391 805	35 242 233	38 783 610	32 242 233
<b>3. Tax credits or cash transfers included in taxable income</b>	0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>	24 629 371	43 283 131	55 258 743	46 283 131
<b>5. Central government income tax liability (exclusive of tax credits)</b>	2 614 406	4 332 470	6 128 811	4 782 470
<b>6. Tax credits</b>				
Basic credit	660 000	1 400 000	1 320 000	1 400 000
Married or head of family				
Children	150 000	150 000	150 000	0
Other				
Total	810 000	1 550 000	1 470 000	1 400 000
<b>7. Central government income tax finally paid (5-6)</b>	1 804 406	2 782 470	4 658 811	3 382 470
<b>8. State and local taxes</b>	180 441	278 247	465 881	338 247
<b>9. Employees' compulsory social security contributions</b>				
Gross earnings	4 290 746	7 165 546	8 581 493	7 165 546
Taxable income				
Total	4 290 746	7 165 546	8 581 493	7 165 546
<b>10. Total payments to general government (7 + 8 + 9)</b>	6 275 593	10 226 263	13 706 185	10 886 263
<b>11. Cash transfers from general government</b>				
For head of family	0	0	0	0
For two children	1 200 000	1 200 000	1 200 000	0
Total	1 200 000	1 200 000	1 200 000	0
<b>12. Take-home pay (1-10+11)</b>	41 945 584	69 499 102	81 536 168	67 639 102
<b>13. Employers' compulsory social security contributions</b>	5 127 723	8 563 298	10 255 446	8 563 298
<b>14. Average rates</b>				
Income tax	4.2%	3.9%	5.4%	4.7%
Employees' social security contributions	9.1%	9.1%	9.1%	9.1%
Total payments less cash transfers	10.8%	11.5%	13.3%	13.9%
Total tax wedge including employer's social security contributions	19.6%	20.2%	21.8%	22.3%
<b>15. Marginal rates</b>				
Total payments less cash transfers: Principal earner	23.3%	23.3%	23.3%	23.3%
Total payments less cash transfers: Spouse	12.5%	21.6%	23.3%	21.6%
Total tax wedge: Principal earner	30.8%	30.8%	30.8%	30.8%
Total tax wedge: Spouse	21.1%	29.3%	30.8%	29.3%

The national currency is the Won (KRW). In 2021, KRW 1 144.56 were equal to USD 1. In that year, the average worker was expected to earn KRW 47 021 176 (Secretariat estimate).

## 1. Personal Income Tax System

### 1.1. Central government income tax system

#### 1.1.1. Tax unit

Each individual is taxed on his/her own income.

Non-taxable wage income includes the:

- National pension, National health insurance, Employment insurance and Workers' compensation insurance that are borne by employer;
- Overtime payment to productive workers: up to KRW 2 400 000 of overwork payment of productive workers in manufacturing and mining sectors whose monthly wage is less than KRW 2 100 000 and whose yearly wage is less than KRW 30 000 000.

#### 1.1.2. Allowances and tax credits

##### 1.1.2.1. Standard reliefs

- Employment income deduction: the following deduction (up to KRW 20 000 000) from gross income is provided to wage and salary income earners:

Salary	Deduction
Up to KRW 5 000 000	70%
KRW 5 000 000 to KRW 15 000 000	KRW 3 500 000 plus 40% of the salary over KRW 5 000 000
KRW 15 000 000 to KRW 45 000 000	KRW 7 500 000 plus 15% of the salary over KRW 15 000 000
KRW 45 000 000 to KRW 100 000 000	KRW 12 000 000 plus 5% of the salary over KRW 45 000 000
Over KRW 100 000 000	KRW 14 750 000 plus 2% of the salary over KRW 100 000 000

- Basic allowance: a taxpayer can deduct KRW 1 500 000 from his/her income for each person who meets one of following conditions:
  - the taxpayer him/herself;
  - the taxpayer's spouse whose taxable income (gross earnings net of employment income deduction) is less than KRW 1 000 000 (Spouse only have a salary earned income is less than KRW 5 000 000);
  - the taxpayer's (including the spouse's) dependents (parents, siblings, children) within the same household whose income after accounting for the employment income deduction is less than KRW 1 000 000 (Dependent only have a salary earned income is less than KRW 5 000 000) and whose age is:
    1. parents: 60 years or older;
    2. brother/sister: 60 years or older or 20 years or younger;
    3. children: 20 years or younger (if both partners in the household earn wage-income, this Report assumes that the principal wage earner will claim the allowance).
- Additional allowance: a taxpayer can deduct KRW 1 000 000 (500 000 in the case of (c), KRW 2 000 000 in the case of (b)) from his/her gross income when the taxpayer or his/her dependents fall into one of the following categories (for this report, only cases (c) and (f) are modelled):
  - a person aged 70 years or older(a)
  - a handicapped person (b)

- a female wage earner who is the head of a household with dependents (but without spouse) or a female wage earner with spouse when her taxable income is not more than KRW 30 million(c)
  - a single parent with descendants including adoptees\*(f)
  - \* Overlapping of deductions for (c) and (f) is not allowed. So a taxpayer should select only one.
- National pension deduction: employees can deduct 100% of their National Pension contributions
  - Insurance premiums: the National health insurance premium and the Employment insurance premium can be entirely (100%) deducted from taxable income.
  - Working Tax credit: wage and salary income earners obtain the following tax credit:

Calculated tax	Amount of tax credit
Up to KRW 1 300 000	55% of calculated tax
Over KRW 1 300 000	KRW 715 000 plus 30% of the calculated tax over KRW 1 300 000

Total wage and salary income	Ceiling on credit amount
Not more than KRW 33 million	KRW 740 000
Not more than KRW 70 million	The greater of KRW 660 000 and KRW 740 000- [(total wage and salary income -KRW 33 million)* 0.8%]
Exceeding KRW 70 million	The greater of KRW 500 000 and KRW 660 000- [(total wage and salary income- KRW 70 million)* 50%]

### 1.1.2.2. Main non-standard tax reliefs

Wage and salary income earners may deduct from gross income the expenses for the following items during the tax year:

- Saving/Payment for housing: 40% of deposits of an account for purchasing a house, which is held by a person who does not own a house, and 40% of repayments of loans including interest borrowed in order to lease a house smaller than 85 square meters in size by a person owning no house may be deducted up to three million won per year.
- Credit card purchases: Employees may deduct 15% of their credit card (30% of their debit card, prepaid card or cash receipt) purchases that exceed 25% of their total income up to the lesser of KRW 3 000 000 or 20% of their total income in the case of the total income not over KRW 7 000 000 (up to the lesser of KRW 2 500 000 or 20% of their total income in the case of the total income from over KRW 70 000 000 to KRW 120 000 000 and up to the lesser of KRW 2 000 000 or 20% of their total income in the case of the total income over KRW 120 000 000) However, for expenditures spent for traditional markets and public transportation the allowed deduction is equivalent to 40% (30% for the expenditures of books, performances, and museums) of the expenditure and the ceiling is raised by an additional KRW 1 000 000 respectively.

### 1.1.2.3. Child tax credit

- Where a resident with taxable income has dependent children from 7 years old including adoptee, he/she gets annual tax credit of KRW 150 000 for having a child, KRW 300 000 for having two children and KRW 300 000 plus KRW 300 000 per an excess child over two children in case of having more than three children.
- Resident gets tax credit of KRW 300 000 for the first child, KRW 500 000 for the second Child, and KRW 700 000 for the third child or more for birth and adoption of the year.

#### 1.1.2.4. Credit for Pension Insurance Premiums

- A resident who paid pension contributions to a pension account may deduct the amount equal to 12% of the premiums paid from his/her global income tax amount, only up to KRW 4 million for pension savings account as well as KRW 7 million for sum of the pension savings account and retirement pension account.
- A resident whose labour income is not exceeding KRW 55 million when he has labour income only or whose global income is not exceeding KRW 40 million would deduct 15% of the premium.

#### 1.1.2.5. Special tax credit

Wage and salary income earners may obtain following tax credit during the tax year:

- Insurance premiums (a): 12% of the general insurance premium up to KRW 1 000 000 can be deducted from his/her income tax amount.
- Medical expenses (b): 15% of the medical expenses exceeding 3% of taxable income can be deducted from his/her income tax amount. The medical expenses for taxpayer's dependents who are eligible for the basic deduction are limited to KRW 7 000 000 and the medical expenses for the taxpayer himself, taxpayer's dependents who are aged 65 years or older and handicapped persons are not limited.
  - In addition, 20% of medical expenses for the treatment of infertility can be deducted from his/her income tax amount. There is no deduction limitation.
- Educational expenses (c): 15% of tuition fees for pre-school, elementary, middle school and college (but the graduate school fee deduction is allowed only for the taxpayer himself), either for the taxpayer himself or his/her dependents (including the taxpayer's spouse, children, and siblings), can be deducted from his/her income tax amount. The tuition fee for the taxpayer himself is not limited. For the taxpayer's dependents, the limits of tuition fees are as follows:
  - For pre-school: up to KRW 3 000 000 per child;
  - For elementary, middle and high school: up to KRW 3 000 000 per student;
  - For college/university: up to KRW 9 000 000 per student.
- Charities (d): 15% of the amount of donation (in case of the donation exceeding KRW 10 000 000, 30% of the excess amount over KRW 10 million) is deducted from income tax amount. The limits of donations are as follows:
  - donations to a government body, donations for national defence, natural disaster, and certain charitable associations: up to gross income;
  - donations to public welfare or religious associations: up to 30% of gross income.
- Standard Credits: Alternatively, a taxpayer may choose an annual standard credit of KRW 70 000 (KRW 130 000 for wage and salary earners and KRW 120 000 for business owners meeting certain requirements), if he or she fails to claim deductions for insurance premium, saving/payment for housing and special tax credit.

## Tax schedule

Over (KRW)	Not more than (KRW)	Marginal tax rate (%)
0	12 000 000	6
12 000 000	46 000 000	15
46 000 000	88 000 000	24
88 000 000	150 000 000	35
150 000 000	300 000 000	38
300 000 000	500 000 000	40
500 000 000	1 000 000 000	42
1 000 000 000		45

### 1.2. Local income tax

#### 1.2.1. Tax base

The local income tax base is the income tax paid to the central government.

#### 1.2.2. Tax rate

A uniform rate of 10% is applied. However, the local government can adjust the rate between the lower limit of 5% and the upper limit of 15%.

#### 1.2.3. Tax rate (selected for this study)

A country-wide rate of 10% is used in this Report.

## 2. Compulsory Social Security Contribution to Schemes Operated Within the Government Sector

### 2.1. Employees' contribution

#### 2.1.1. National pension

The National pension contribution rate is 4.5% of the standardised average monthly wage income as of 2020.

The scope of the standardised average monthly wage income is from KRW 330 000 to KRW 5 240 000 as of 1 July 2021.

If the average monthly wage income of a person is less than KRW 330 000, the average monthly wage income of the person is regarded as KRW 330 000 and the rate (0.045) is applied. If the average monthly wage income of a person is more than KRW 5 240 000, the average monthly wage income of the person is regarded as KRW 5 240 000 and the rate (0.045) is applied; so the minimum of the national pension contribution per year is KRW 178 200 (KRW 330 000 x 0.045 x 12 months), and the maximum of the national pension contribution per year is KRW 2 829 600 (=KRW 5 240 000 x 0.045 x 12 months).

#### 2.1.2. National health insurance

The National health insurance premium, which has a rate of 3.825136 % (National health insurance: 3.43 %, Long term care insurance 11.52 % of National Health insurance premium rate), is levied on average monthly wage income as of 1 January 2021.

The scope of the monthly National health insurance premium (excluding Long term care insurance premium) is from KRW 9 570 to KRW 3 523 950. To include Long term care insurance, we should multiply 1.1152. Thus, the scope of the total monthly premium is from KRW 10 672 to 3 929 909. If the calculated premium is less than KRW 10 672, the worker should pay KRW 10 672. Likewise, if the calculated premium is more than KRW 3 929 909, the worker only pays KRW 3 929 909.

### *2.1.3. Employment insurance*

0.8% of gross income as of 1 October 2019.

### *2.1.4. Workers' compensation insurance*

Compulsory application, premiums paid only by employers.

## **2.2. Employers' contribution**

### *2.2.1. National pension*

The national pension contribution rate is 4.5% of the standardised average monthly wage income as of 2020.

The scope of the standardised average monthly wage income is from KRW 330 000 to KRW 5 240 000 as of 1 July, 2021.

If the average monthly wage income of a person is less than KRW 330 000, the average monthly wage income of the person is regarded as KRW 330 000 and the rate (0.045) is applied. If the average monthly wage income of a person is more than KRW 5 240 000, the average monthly wage income of the person is regarded as KRW 5 240 000 and the rate (0.045) is applied; so the minimum of the national pension contribution per year is KRW 178 200 (KRW 330 000 x 0.045 x 12 months), and the maximum of the national pension contribution per year is KRW 2 829 600 (=KRW 5 240 000 x 0.045 x 12 months).

### *2.2.2. National health insurance*

The National health insurance premium, which has a rate of 3.825136 % (National health insurance 3.43 %, Long term care insurance: 11.52 % of National health insurance premium rate), is levied on average monthly wage income as of 1 January, 2021.

The scope of the monthly National health insurance premium (excluding Long term care insurance premium) is from KRW 9 570 to KRW 3 523 950. To include Long term care insurance, we should multiply 1.1152. Thus, the scope of the total monthly premium is from KRW 10 672 to 3 929 909. If the calculated premium is less than KRW 10 672, the employer should pay KRW 10 672. Likewise, if the calculated premium is more than KRW 3 929 909, the employer only pays KRW 3 929 909.

### *2.2.3. Employment insurance*

- the insurance premium is between 1.05% and 1.65% of total wage as of 1 October 2019;
- the insurance premium selected for this study is 1.05%.

### *2.2.4. Workers' compensation insurance*

- the insurance premium consists of an industry-specific rate which is set by the Ministry of Employment and Labor multiplied by total wage;



- the average rate of all industries (announced by the Ministry of Employment and Labor and selected for this study) is 1.53 %.

### 3. Universal Cash Transfers

- Child Benefit

Child home care allowance is granted every month to those who have children aged 6 years or younger: KRW 200 000 for a child aged 12 months or younger, KRW 150 000 for a child aged 1 to 2 years and KRW 100 000 for a child aged 2 to 6 years.

If a child attends a nursery or pre-school, monthly childcare service voucher is provided instead of the child home care allowance. The amount of the benefit differs by the age of the child, type of nursery, class of nursery etc.

On top of those two benefits, universal child benefit of KRW 100 000 is paid monthly to those who have children if the child is under the age of 7.

### 4. Main Changes in Tax/Benefit System since 2000

2000	Contribution to National Pension are to be deductible from 2001, upper cap of employment income deduction limit (KRW 12 000 000) is abolished from 2001
2001	Personal income tax rates are lowered by 10% (10, 20, 30, 40% were reduced to 9, 18, 27, 36%, respectively) from 2002
2002	Limits of deduction for education fees are expanded from 2003. For pre-school: from KRW 1 000 000 to KRW 1 500 000. For elementary, middle school and high school: from KRW 1 500 000 to KRW 2 000 000. For college and university: from KRW 3 000 000 to KRW 5 000 000. Limit of deduction for interest of long-term mortgage loan for housing is expanded from KRW 3 000 000 to KRW 6 000 000 from 2003
2003	Employment income deduction and tax credit applicable to low income are increased. The deduction rate for the taxable wage income range of KRW 5 000 000 to KRW 15 000 000 is increased from 45% to 47.5%. The tax credit rate for calculated tax below KRW 500 000 is increased from 45% to 50% and the maximum tax credit is increased from KRW 400 000 to KRW 450 000.
2004	Limits of deduction for education fees are expanded. For pre-school: from KRW 1 500 000 to KRW 2 000 000. For college and university: from KRW 5 000 000 to KRW 7 000 000. Limit of deduction for interest on long-term mortgage loan for housing is expanded from KRW 6 000 000 to KRW 10 000 000. The marginal deduction rate for the taxable wage income range from KRW 5 000 000 to KRW 15 000 000 is increased from 47.5% to 50%. The tax credit rate for tax amounts below KRW 500 000 is increased from 50% to 55% and the maximum permitted tax credit goes up from KRW 450 000 to KRW 500 000.
2005	Personal income tax rates are lowered by 1% point (9, 18, 27, 36% were reduced to 8, 17, 26, 35%, respectively). Lump-sum tax relief are expanded from KRW 600 000 to KRW 1 000 000.
2007	Eligibility for the extra allowance amount has been changed. Previously, an income earner with a small number of dependents (e.g. spouse, child) eligible for basic allowance was eligible for an allowance of up to KRW 1 000 000 depending on the number of dependents. As from 2007, however, an income earner with two or more dependent children eligible for basic allowance is eligible for an allowance equivalent to KRW 500 000 if there are 2 children plus an additional KRW 1 000 000 for every additional child (e.g. 2 children: KRW 500 000; 3 children: KRW 1 500 000; 4 children: KRW 2 500 000, etc.).
2008	Tax schedule has been changed : from KRW 10 000 000, KRW 40 000 000, KRW 80 000 000 to KRW 12 000 000, KRW 46 000 000, KRW 88 000 000; New items have been added to the additional allowance with respect to lineal descendants who are born or adopted during the concerned taxable year; Credit card purchase deduction has been changed : Employees may deduct 20% (previously 15%) of their credit/debit card purchases that exceed 20% (previously 15%) of their total income; Deduction for donations to public welfare or religious associations has been increased up to 15% of gross income. Previously, the limit was 10% of gross income.
2009	Personal income tax rates have been changed: from 8%, 17%, 26%, 35% to 6%, 16%, 25%, and 35%. Employment income deduction has been changed: from 100%, 50%, 15%, and 10% 5% to 80%, 50%, 15%, and 10%. 5%
2010	Personal income tax rates have been changed: from 6%, 16%, 25%, 35% to 6%, 15%, 24%, and 35%.

2012	Personal income tax rates have been changed: from 6%, 15%, 24%, and 35% to 6%, 15%, 24%, 35% and 38%
2013	A new additional allowance is added: a single parent with lineal descendants or adopted children who are eligible for basic exemption can deduct KRW 1 000 000. Insurance premiums, medical expenses, education expenses, loans for house, designated donations, saving deposits for housing subscription, investment in employee stock ownership associations or in associations for investment in start-ups, and credit cards are allowed income deduction with a ceiling at KRW 25 000 000 in total. However, for the amount of designated donations exceeding the ceiling, deduction can be carried forward for 5 years.
2014	Tax schedule has been changed : KRW 300 000 000 to KRW 150 000 000 Personal and special income deductions( e.g. medical expenses, educational expenses) have been shifted toward tax credit Employment income deduction has been changed: 80% to 70%, 50% to 40%. The ceiling amount of earned income tax credit has been changed : KRW 500 000 to KRW 740 000(the salary <33 000 000), KRW 660 000(the salary < 70 000 000)
2015	Refundable CTC(Child Tax Credit) has established
2017	Personal income tax rate 40% is newly created over KRW 500 000 000
2018	Tax schedule has been changed: Tax base over KRW 150 000 000 up to KRW 500 000 000 divided into over KRW 150 000 000 up to KRW 300 000 000 and over KRW 300 000 000 up to KRW 500 000 000 The Highest income tax rate has been changed: 40%→42%
2019	Charities tax credit's deduction rate has been adjusted. Regarding non-taxable overtime payment to productive workers, the upper limit of monthly wage for recipient of tax exemption has been increased to KRW 2 100 000.
2020	Regarding non-taxable overtime payment to productive workers, the upper limit of yearly wage for recipient of tax exemption has been increased to KRW 30 000 000. The employment income deduction's limitation of KRW 20 000 000 has been newly set up.
2021	Tax schedule has been changed: tax base over KRW 500 000 000 is divided into over KRW 500 000 000 to KRW 1 000 000 000 and over KRW 1 000 000 000. Tax rate to be applied is 42% and 45% respectively.

#### **4.1. Changes to labour taxation due to the COVID pandemic in 2020 and 2021**

- Due date of payment for 2019's income tax has been deferred from 1 June 2020 to 31 August 2020.
- Deduction rate for credit card purchases has been increased temporarily. On March, the deduction rate of the credit card purchases is 30%, the deduction rate of the debit card, prepaid card and cash receipt purchases is 60%, the deduction rate of the expenditures for books, performances and museums is also 60%, and the deduction rate of the expenditures for traditional markets and public transportation is 80%. From April to July, all of the deduction rates are increased to 80% respectively. On top of that, limitation of deduction has been raised. The limitation of deduction is the lesser of KRW 3 300 000 (originally 3 000 000) or 20% of their total income in the case of the total income not over KRW 70 000 000 (the lesser of KRW 2 800 000 (originally 2 500 000) or 20% of their total income in the case of the total income from over KRW 70 000 000 to KRW 120 000 000, and the lesser of KRW 2 300 000 (originally 2 000 000 for 2020) or 20% of their total income in the case of the total income over KRW 120 000 000). Moreover, if the size of purchase has been increased over 5% in 2021 compared to 2020, 10% of such excess can also be deducted, up to KRW 1 000 000.
- Monthly payment of the National pension can be exempted for 3 times between Mar 2020 and Jun 2020 and 9 times between Jan 2021 to Sep 2021, when he/she meets specific conditions(e.g. the income has been decreased).
- The National health insurance premium is reduced from Mar 2020 to May 2020 for some workers. Criteria such as the size of income and the place where he/she works are considered when deciding the rate of reduction (30% or 50%),
- Monthly payment of the Employment insurance premium and Workers' compensation insurance premium for Mar 2020 to May 2020, Jan 2021 to Mar 2021, Apr 2021 to Jun 2021 and Jul 2021 to Sep 2021 is deferred for 3 months respectively, when the employee works for the company that employed workers less than 30.

- A company that employed workers less than 30 can also get a 30% relief of Workers' compensation insurance premium from Mar 2020 to Aug 2020 and from Jan 2021 to Mar 2021.
- On March 2020, additional 'childcare coupons' that worth KRW 400 000 are provided per child to households with children aged less than 7 years as of Mar 2020, to help address challenges caused by the COVID-19 outbreak.

## 5. Memorandum Item

### **5.1. Identification of the Average Worker (AW)**

- Sectors used: industry Sectors B-N with reference to the International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC Rev.4).

Geographical coverage: whole country.

Type of workers: wage workers (male and female).

### **5.2. Method to calculate wages**

Establishment Labor Force Survey (ELFS) by the Ministry of Employment and Labor is used to calculate the AW. The statistics were obtained through a sample survey of approximately 13 000 firms with one or more permanent employees throughout the whole country.

Basic method of calculation used: average monthly wages multiplied by 12.

### **5.3. Employer's reserve for employee's retirement payment**

An employer should pay to a retiree the retirement payment which is not less than 30 days' wage and salary per one year of service (about 8.3% of gross income or more). An employer can contribute to the Retirement Payment Reserve Fund established within the company or Retirement Insurance Fund established outside the company to prepare for the retirement payment. Such contribution is treated as business expense under certain constraints. Because contribution to the Retirement Fund is not compulsory, this survey does not include such contribution except the contribution converted to employer's contribution to the national pension plan (see Section 2.2.1).

## 2021 Parameter values

Average earnings/yr	Ave_earn	47 021 176	Secretariat estimate
Tax allowances	basic_al	1 500 000	
spouse	spouse_al	1 500 000	
	spouse_al_lim	1 000 000	
dependents including children	dep_al	1 500 000	
additional allowance	add_all	500 000	
	add_all_lim	30 000 000	
additional allowance 2	add2_all	1 000 000	
Employment income deduction	empdedsch	0	0.7
		5000000	0.4
		15 000 000	0.15
		45 000 000	0.05
		100 000 000	0.02
	Max_empded	20000000	
Earned income special credit threshold	earntaxcred	0.55	
		0.3	1 300 000
credit limit	credlimit	740 000	Ave_earn<33 000 000
		660 000	Ave_earn< 70 000 000
		500 000	Ave_earn> 70 000 000
Child tax credit	child_cred	150 000	
Lump sum tax credit	lump_cred	130 000	
	lump_thresh	866 667	
Tax schedule	tax_sch	0.06	12 000 000
		0.15	46 000 000
		0.24	88 000 000
		0.35	150 000 000
		0.38	300 000 000
		0.4	500 000 000
		0.42	1 000 000 000
		0.45	
Local tax rate	local_rate	0.1	
Cash Transfer for kids under 7 age	cash_child	1 200 000	
max number of kids permitted to be under 7	child_und7_max	1	
Social security contributions	SSC_pens	0.045	
	SSC_pens_max	2772900	
	SSC_pens_min	175500	
	SSC_sick	0.03825136	
	SSC_sick_max	47158908.48	
	SSC_sick_min	128069.568	
	SSC_unemp	0.008	
Employer contributions	emp_pens	0.045	
	emp_sick	0.03825136	
	emp_unemp	0.0105	
	emp_inj	0.0153	

## 2021 Tax equations

The equations for the Korean system are independent between spouses except that the principal earner has tax allowances for the spouse and for any children.

The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables married and children. A reference to a variable with the affix total indicates the sum of the relevant variable values for the principal and spouse. And the affixes “\_princ” and “\_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with spouse values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:			
	employment income	emp_al	B	MIN(Empincded(earn, empincdedsch),max_empded)
	basic	bas_al	B	basic_al
	spouse	sp_al	P	Married*spouse_al*(earn_spouse-emp_al_spouse<=spouse_al_lim)
	dependents	dp_al	P	Children*dep_al
	additional allowances	add_al_princ	P	IF(AND(Married='0,Children>0),' add2_all,0)
	additional allowances	add_al_spouse	S	IF(AND(earn_spouse>0,earn_spouse<=add_all_lim),add_all,0)
	national pension deduction	np_de	B	Min(earn*SSC_pens, SSC_pens_max)
	Main non-standard tax relief	non-std_al	B	IF(earn*(SSC_sick+SSC_unemp)>lump_thresh,earn*(SSC_sick+SSC_unemp),0)
	Total	tax_al	B	emp_al+bas_al+sp_al+dp_al+add_al+np_al
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6.	Tax credits :			
	earned income special tax credit	earn_cr	B	MIN(earntaxcred(CG_tax_excl), credlimit(earn))
	child tax credit	child_cr	P	child_cred*(children-(cash_trans>0))
	lump-sum tax credit	lump_cr	B	IF(non-std_al='0,' lump_cred, 0)
	child tax credit	tax_cr	B	earn_cr+child_cr+lump_cr
	Total			
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	B	local_rate*CG_tax
9.	Employees' soc security	SSC	B	MAX(SSC_pens_min,MIN(earn*(SSC_pens),SSC_pens_max))+MAX(SSC_sick_min,MIN(earn*(SSC_sick),SSC_sick_max))+earn*(SSC_unemp)
11.	Cash transfers	cash_trans	J	=cash_child*child_und7_max*(Children>0)
13.	Employer's soc security	SSC_empr	B	MAX(SSC_pens_min,MIN(earn*(SSC_pens),SSC_pens_max))+MAX(SSC_sick_min,MIN(earn*(emp_sick),SSC_sick_max))+earn*(emp_unemp+emp_inj)

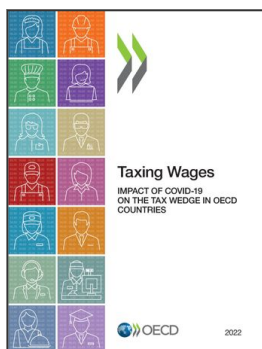
Key to range of equation:

B calculated separately for both principal earner and spouse

P calculated for principal only (value taken as 0 for spouse calculation)

S calculated for spouse only

J calculated once only on a joint basis



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