

Korea

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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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
1. Gross wage earnings		33 335 349	49 754 252	83 089 601	33 335 349
2. Standard tax allowances					
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		1 500 091	2 238 941	2 624 400	1 500 091
Work-related expenses					
Other		11 635 344	14 304 939	17 356 747	12 635 344
Total		14 635 434	18 043 880	21 481 147	18 635 434
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		18 699 915	31 710 372	61 608 454	14 699 915
5. Central government income tax liability (exclusive of tax credits)		1 724 987	3 676 556	9 566 029	1 124 987
6. Tax credits					
Basic credit		737 317	660 000	500 000	918 743
Married or head of family					
Children					
Other					
Total		737 317	660 000	500 000	918 743
7. Central government income tax finally paid (5-6)		987 670	3 016 556	9 066 029	206 244
8. State and local taxes		98 767	301 656	906 603	20 624
9. Employees' compulsory social security contributions					
Gross earnings		2 885 132	4 306 167	6 076 667	2 885 132
Taxable income					
Total		2 885 132	4 306 167	6 076 667	2 885 132
10. Total payments to general government (7 + 8 + 9)		3 971 569	7 624 379	16 049 299	3 112 001
11. Cash transfers from general government					
For head of family		0	0	0	0
For two children		0	0	0	0
Total		0	0	0	400 000
12. Take-home pay (1-10+11)		29 363 780	42 129 874	67 040 302	30 623 348
13. Employer's compulsory social security contributions		3 468 501	5 176 867	7 530 735	3 468 501
14. Average rates					
Income tax		3.3%	6.7%	12.0%	0.7%
Employees' social security contributions		8.7%	8.7%	7.3%	8.7%
Total payments less cash transfers		11.9%	15.3%	19.3%	8.1%
Total tax wedge including employer's social security contributions		20.2%	23.3%	26.0%	16.8%
15. Marginal rates					
Total payments less cash transfers: Principal earner		22.1%	22.9%	28.1%	14.3%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		29.5%	30.2%	32.1%	22.4%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

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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
1. Gross wage earnings	49 754 252	83 089 601	99 508 505	83 089 601
2. Standard tax allowances				
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	2 238 941	3 739 032	4 477 883	3 739 032
Work-related expenses				
Other	14 304 939	25 940 282	28 609 877	25 940 282
Total	22 543 880	35 679 314	39 087 760	32 679 314
3. Tax credits or cash transfers included in taxable income	0	0	0	0
4. Central government taxable income (1 - 2 + 3)	27 210 372	47 410 287	60 420 745	50 410 287
5. Central government income tax liability (exclusive of tax credits)	3 001 556	4 951 543	6 903 112	5 401 543
6. Tax credits				
Basic credit	960 000	1 697 317	1 620 000	1 397 317
Married or head of family				
Children				
Other				
Total	960 000	1 697 317	1 620 000	1 397 317
7. Central government income tax finally paid (5-6)	2 041 556	3 254 226	5 283 112	4 004 226
8. State and local taxes	204 156	325 423	528 311	400 423
9. Employees' compulsory social security contributions				
Gross earnings	4 306 167	7 191 299	8 612 335	7 191 299
Taxable income				
Total	4 306 167	7 191 299	8 612 335	7 191 299
10. Total payments to general government (7 + 8 + 9)	6 551 879	10 770 948	14 423 758	11 595 948
11. Cash transfers from general government				
For head of family	0	0	0	0
For two children	400 000	400 000	400 000	0
Total	400 000	400 000	400 000	0
12. Take-home pay (1-10+11)	43 602 374	72 718 653	85 484 747	71 493 653
13. Employers' compulsory social security contributions	5 176 867	8 645 367	10 353 734	8 645 367
14. Average rates				
Income tax	4.5%	4.3%	5.8%	5.3%
Employees' social security contributions	8.7%	8.7%	8.7%	8.7%
Total payments less cash transfers	12.4%	12.5%	14.1%	14.0%
Total tax wedge including employer's social security contributions	20.6%	20.7%	22.2%	22.1%
15. Marginal rates				
Total payments less cash transfers: Principal earner	22.9%	22.9%	22.9%	22.9%
Total payments less cash transfers: Spouse	12.7%	22.1%	22.9%	22.1%
Total tax wedge: Principal earner	30.2%	30.2%	30.2%	30.2%
Total tax wedge: Spouse	20.9%	29.5%	30.2%	29.5%

The national currency is the Won (KRW). In 2019, KRW 1 165.29 were equal to USD 1. In that year, the average worker was expected to earn KRW 49 754 252 (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, medical insurance, unemployment insurance and work injury 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 1 500 000 and whose yearly wage is less than KRW 25 000 000.

1.1.2. Allowances and tax credits

1.1.2.1. Standard reliefs

- Employment income deduction: the following deduction 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 Medical insurance premium and the Unemployment 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 or owns only one house and whose price is KRW 500 million or less, 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 70 000 000 (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 adoption, 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 first child, KRW 500 000 For Second Child, KRW 700 000 for 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 account as well as KRW 7 million for sum of the pension 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 is limited 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, Treatment cost of infertility is not limited.
 - Treatment cost of infertility's credit rate is 20%.
- 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 20 000 000, 30% of the excess 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 elect to 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.

1.1.3. 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		42

1.2. Local income tax

1.2.1. Tax base

The local income tax basis 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 2019.

The scope of the standardised average monthly wage income is from KRW 310 000 to KRW 4 860 000 as of 1 July 2019.

2.1.2. Medical insurance

The Medical insurance premium, which has a rate of 3.504873 % (Health insurance: 3.23%, Long term care insurance 8.51 % of Health insurance premium rate), is levied on average monthly wage income as of 1 January 2019.

The scope of the average monthly wage income is from KRW 278 950 to KRW 98 537 462.

2.1.3. Unemployment insurance

0.65% of gross income.

2.1.4. Industrial accident compensation insurance (premiums)

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 2019.

The scope of the standardised average monthly wage income is from KRW 310 000 to KRW 4 860 000 as of 1 July, 2019.

If the average monthly wage income of a person is less than KRW 310 000, the average monthly wage income of the person is regarded as KRW 310 000 and the rate (0.045) is applied. If the average monthly wage income of a person is more than KRW 4 860 000, the average monthly wage income of the person is regarded as KRW 4 860 000 and the rate (0.045) is applied; so the maximum of the national pension contribution per year is KRW 2 624 400 (=KRW 4 860 000 x 0.045 x 12 months).

2.2.2. Medical insurance

The Medical insurance premium, which has a rate of 3.504873 % (Health insurance 3.23 %, Long term care insurance: 8.51 % of Health insurance premium rate), is levied on average monthly wage income as of 1 January, 2019.

The scope of the average monthly wage income is from KRW 278 950 to KRW 98 537 462.

2.2.3. Unemployment insurance

- the insurance premium is between 0.9% and 1.5% of total wage;
- the insurance premium selected for this study is 0.9%.

2.2.4. Work injury insurance

- the insurance premium consists of an industry-specific rate which is set by the Ministry of Employment and Labour multiplied by total wage;
- the average rate of all industries (selected for this study) is 1.50 %.

3. Universal Cash Transfers

- Child Benefit

Child benefit is paid every month to those who have children aged 5 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 5 years.

If a child attends a nursery or pre-school, childcare benefit is paid instead every month: KRW 454000 for a child aged 0, KRW 400000 for a child aged 1 year, KRW 331 000 for a child aged 2 years and KRW 220 000 for a child aged 3 to 5 years. The above child benefits are not included in the Taxing Wages calculations that consider children aged between 6 and 11 inclusive.

If a child is under the age of 7, A monthly allowance of KRW 100 000 is paid from September 2019.

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% 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 000000 up to KRW 300000000 and over KRW 300000000 up to KRW 500000000 The Highest income tax rate has been changed: 40%->42%

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

Report on Labour Force Survey at Establishments covering data in 2017 by the Ministry of Employment and Labour is used to calculate the annual wages of the AW. The statistics were obtained through a sample survey of 12 000 firms with five 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).

2019 Parameter values

Average earnings/yr	Ave_earn	49 754 252	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
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	
Local tax rate	local_rate	0.1	
Cash Transfer for kids under 7 age	cash_child	400 000	
max number of kids permitted to be under 7	child_und7_max	1	
Social security contributions	SSC_pens	0.045	
		SSC_pens_max	2 624 400
		SSC_sick	0.03504873
		SSC_sick_max	41 443 320
		SSC_unemp	0.0065
Employer contributions	emp_pens	0.045	
		emp_sick	0.03504873
		emp_unemp	0.009
		emp_inj	0.0150

2019 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	Empincded(earn, empincdedsch)
	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	Children*child_cred
	lump-sum tax credit	lump_cr	B	IF(non-std_al=0,' lump_cred, 0)
	lump-sum 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	MIN(earn*(SSC_pens),SSC_pens_max)+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	MIN(earn*(SSC_pens),SSC_pens_max)+MIN(earn*(emp_sick),SSC_sick_max)+earn*(emp_unemp+emp_inj)

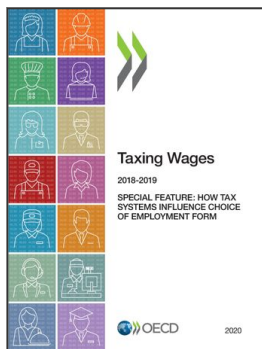
Key to range of equation:

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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