Korean insights & regulatory updates

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Tax obligations for liaison offices

This new reporting applicable for liaison offices from 2022 is a significant change. One of the objectives is for tax office to identify any liaison office that would operate beyond the scope defined by the law and that would be considered as a permanent establishment. We recommend all companies operating a liaison office in Korea to review their current set-up and ensure that it complies with applicable Korean regulations.

Obligation to submit additional information for liaison offices of foreign corporations

Foreign corporations' liaison offices are subject to additional disclosure requirements to tax office ("status data" information).

Definitions and scopes of terms are detailed in the Article 133-2 of the Enforcement Decree of the Corporate Tax Act.

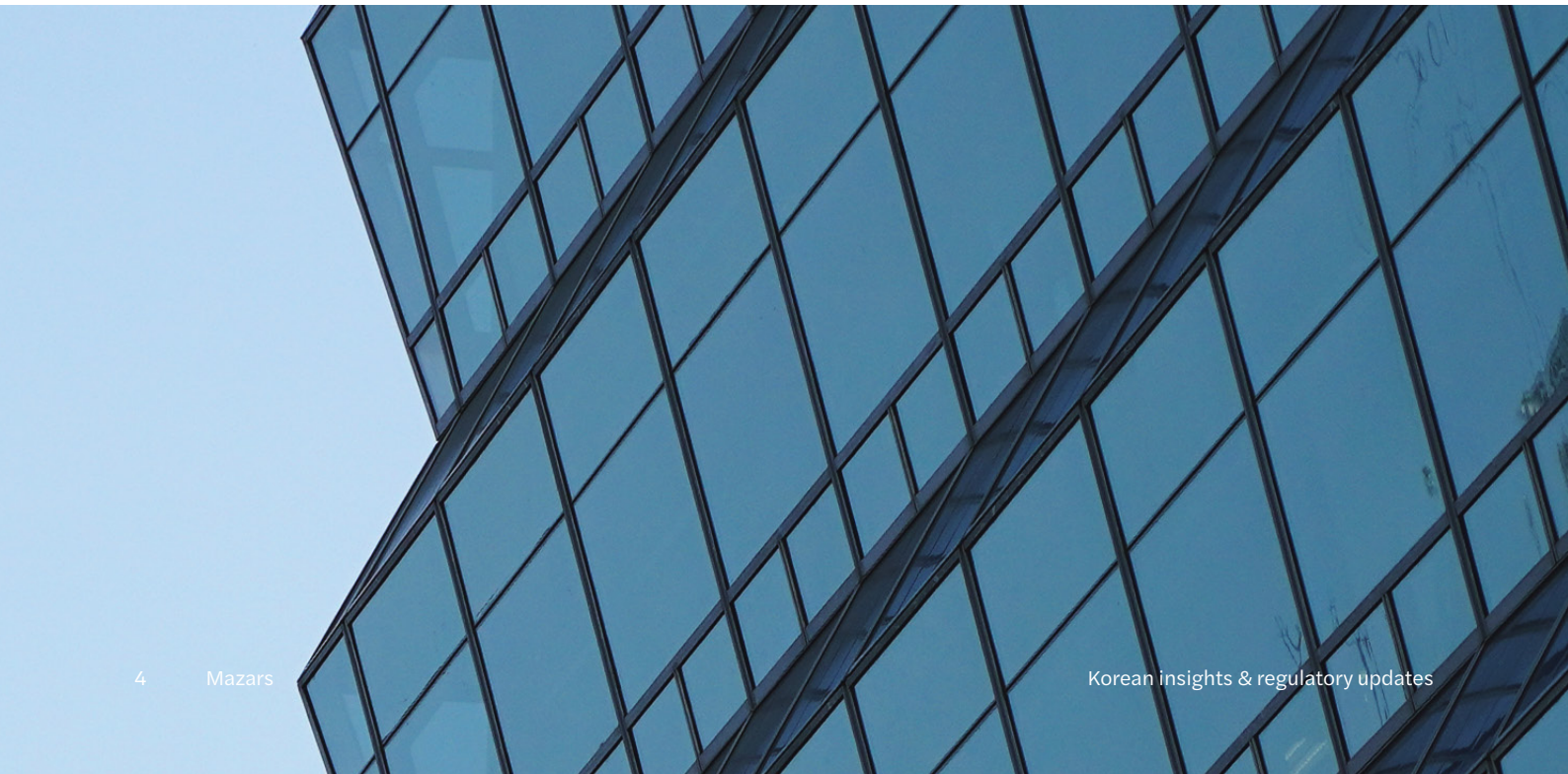
Foreign corporations' liaison offices that do not engage in domestic income-generating business activities and perform only preparatory and auxiliary functions must submit "status data" to the head of the tax office having jurisdiction over the location by February 10 of following year (i.e., 10 Feb 2023 will be first due for FY2022).

Non-commercial functions in the applicable Acts refer to the following:

- Business contact, market research information collection.

The information that should be included in the report on the status of the foreign corporation's liaison office is as follows.

- Basic status of liaison offices, including rental status, staff status, and operating funds status.
- Foreign corporation head office status, including domestic transaction status, domestic investment corporation, branch, and contract agency status.
- Other matters related to the status of liaison office.



Report on the status of liaison offices

Employee status

Number of employees			Salary paid in Korea		Salary paid from abroad		㉖Enrolled tax association
⑲Total (⑳+㉑)	⑳Local	㉑Foreigner	㉒Number of employees	㉓Total payment amount	㉔Number of employees	㉕Total payment amount	

Operating funds status

Contribution details				Expenses			
㉗Total (㉘+㉙+ ㉚)	㉘Head office	㉙Affiliated company	㉚Etc.	㉛Total (㉜+㉝+㉞)	㉜Salary	㉝Rent	㉞Etc.

Domestic transaction status with headquarters of foreign Corporation

㉟Total transaction amount	Status of major domestic customers					
	㊱Name of corporation	㊲Business registration No.	㊳Address	㊴Transaction classification	㊵Main business items	㊶Transaction amount
				Sales [ ] Purchase [ ]		
				Sales [ ] Purchase [ ]		
				Sales [ ] Purchase [ ]		

The above tables are part of the form request by the National Tax Service. This is not an official English translation, and is provided only for better understanding.

Report on the status of liaison offices

Status of domestic invested corporations, branches, and contractors of the head office

㊷ Classification	㊸Name of corporation	㊹Business registration No.	㊺Address	㊻Investment amount	㊼share holding ratio	㊽Business type
Domestic invested Corporation [ ] Branch office [ ] Etc . [ ]						
Domestic invested Corporation [ ] Branch office [ ] Etc . [ ]						
Domestic invested Corporation [ ] Branch office [ ] Etc . [ ]						

Amount received from invoices, tax invoices, credit cards, etc.

Total	Purchase invoice		Purchase tax invoice		Credit card/ cash receipt purchase amount
	Electronic invoice	Others	Electronic tax invoice	Others	

The above tables are part of the form request by the National Tax Service. This is not an official English translation, and is provided only for better understanding.

Report on the status of liaison offices

Main business explanation or details

Attached documents (Indicate the contents) Sum of invoices by vendor ☐ E-report ☐ Computerized media ☐ Written ☐ Not applicable Sum of tax invoices by vendor ☐ E-report ☐ Computerized media ☐ Written ☐ Not applicable	In accordance with Article 94-2 of the Corporate Tax Act and Article 133-2 of the Enforcement Decree of the same Act, the submitter submits a statement of the status of the foreign corporation's liaison office, **I confirm that I have thoroughly reviewed the above and that I have accurately written the facts as known to the submitter.** . . . (YYYY/MM/DD) Submitter: (Signature or seal) As a tax professional, the tax agent confirms that the above statement has been prepared faithfully and fairly. Tax agent: (Signature or seal) **Head of ( ) district Tax office**

Tax agent	Full name		Business registration number		Telephone No.	
Attached document	1. Sum of invoices by vendor 2. Sum of tax invoices by vendor					

The above tables are part of the form request by the National Tax Service. This is not an official English translation, and is provided only for better understanding.

Tax updates
Framework act on National Taxes

Reduced rate for late payment penalty

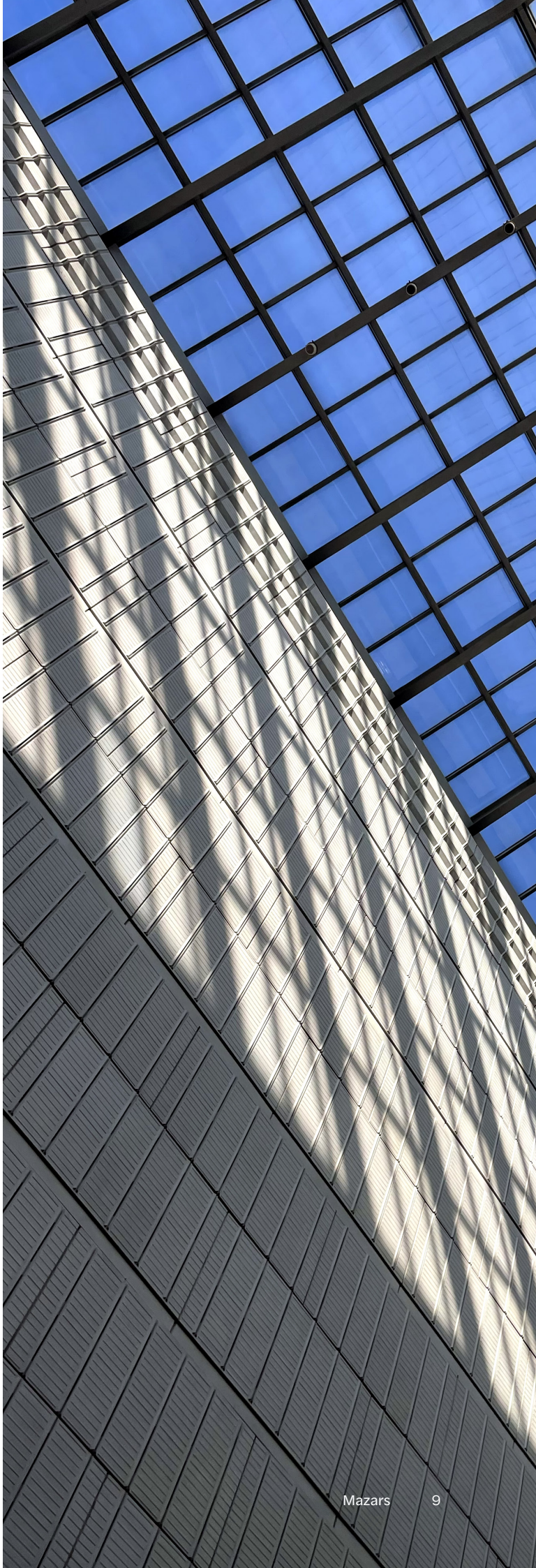
The tax rate for late payment penalty has been reduced from 0.025% per day (9.125% per year) to 0.022% per day (8.030% per year) based on Article 27-4 of the Enforcement Decree of the Framework Act on National Taxes.

Applicable for any penalty tax imposed after February 15, 2022; previous rates apply to the amount charged for the previous periods.

E-commerce retail brokerage subject to zero VAT rate

E-commerce retail brokerage has been added to the list of foreign currency acquisition service sectors subject to zero VAT rate (Article 33-2 of the Enforcement Decree of Value Added Tax).

Applicable to tax base reported/determined/reassessed by tax authorities on or after February 15, 2022.



On June 27, 2022, the Minimum Wage Commission has voted on the increase of minimum salary for 2023 by 5.0%, to KRW 9,620 per hour, i.e., KRW 2.01 million per month. This decision is expected to be formally announced by the Ministry of Labor and Employment in August 2022.

Extension of work hours system in case of short-staffing due to covid 19

- Under the Labor Standards Act and its enforcement decree, special extension of work hours is available in several situations, including in case of "sudden increase of workload".
- Considering the recent surge in the number of COVID-19 confirmed cases, the Ministry of Employment and Labor has announced that, under the above rule, a special extension of work hours system can be used if the number of employees is reduced, and it is difficult to replace manpower due to the confirmation of infectious diseases.
- Special extension of work hours must be approved by the Minister of Employment and Labor in advance, but if the situation is urgent, the approval of the Minister of Employment and Labor can be replaced with post-approval.
- The Ministry of Employment and Labor has announced that employers must take measures to protect employees' health.
- Employers should notify employees in advance that medical checkups are possible and implement follow-up measures at the request of employees and one or more of the following measures:

  1) Operation of special extension of work hours within 8 hours per week.

  2) 11 consecutive hours of break between working days.

  3) Continuous break corresponding to special extension conditions.

Reminder on the Act on the Punishment of Severe accident (Enforcement date: January 27, 2022)

- This law that imposes some obligations on employers or business managers to ensure safety and health, such as establishing a safety and health management system for projects or workplaces.

  The purpose is to prevent serious accidents by thoroughly taking safety and health measures in accordance with safety and health-related laws such as the Occupational Safety and Health Act. If a serious industrial accident occurs because the person in charge of management fails to fulfill his/her obligation to secure safety and health as stipulated by the law, he/she can be punished.
- The law applies to businesses or workplaces with more than five full-time workers.

  1) For businesses or workplaces with more than 50 people: applicable from January 27, 2022.

  2) For businesses or workplaces with 5 to 49 employees: applicable from January 27, 2024.

  3) Different thresholds apply to the construction industry.
- In the event of an industrial accident in which more than one person dies in violation of the safety and health security obligation, employers and business managers will be sentenced to more than one year in prison or fined up to 1 billion won, and injuries and diseases are subject to imprisonment for up to seven years or a fine of up to 100 million won.
- If employers fulfill the obligations necessary to secure safety and health, he /she will not be punished even if a serious accident occurs.

"3+3 childcare leave system" and increase of childcare leave benefit income replacement rate (Enforcement Date: January 1, 2022)

- From 2022, the "3+3 childcare leave system" is implemented to raise the parental leave benefits, based on 100% of ordinary wage, by up to KRW 3 million won for each of the first 3 months when parents use childcare leave within 12 months of their children's birth at the same time or sequentially.
- The revision is applicable when the second childcare leave begins after January 1, 2022.
- In addition to the above, the benefit for the 4th to 12th months of childcare leave from 2022 will be raised from the current 50% of ordinary wage (up to KRW 1.2 million won per month) to 80% of ordinary wage (up to KRW 1.5 million won per month).

Childcare leave benefits comparison

Month	Case	As-is	To-be
1st to 3rd month	Only one of the parents	80% of ordinary wage	80% of ordinary wage
	Both parents	• 1st: 80% of ordinary wage • 2nd: 100% of ordinary wage	• 1st: 100% of ordinary wage • 2nd: 100% of ordinary wage
4th to 12th month	Both cases	50% of ordinary wage (up to KRW 1.2 million won per month)	80% of ordinary wage (up to KRW 1.5 million won per month)

Applicable to goods or services supplied after July 1, 2022.

Time to action

At the end of 2021, Mazars surveyed over 1,000 executives around the world for our annual C-suite barometer. We uncovered a sense of confidence and resilience: with the ongoing impact of the pandemic, rising inflation and the horrifying attack on Ukraine, these are qualities that are likely to be tested once again this year.

Five takeaways

Our C-suite barometer showed leaders were confident at the end of 2021. And that's a good thing. Confidence means expansion, development, investment. But it also brings with it some key challenges and opportunities that businesses need to consider in achieving their objectives over the next few years, particularly in light of the ongoing impact of the pandemic and the dramatic events in Europe.

1. Invest in leadership and skills

Making the most of new opportunities and successfully executing your growth plans is dependent on having the right people with the right skills to lead these changes. Businesses need to invest in the next generation of leaders and ensure they have the necessary competencies to deliver in a continually evolving environment. Not just technical management skills, but also the softer skills that mark out truly effective leaders. This is especially true in privately-owned businesses, where resources are scarcer and the existing talent pool is perhaps not as deep as in larger and listed businesses.

2. Embed ESG in the boardroom

ESG needs to be front and centre in the boardroom. It's not only about making the current business ESG-compliant, but thinking long-term about how the entire business might need to adapt to ESG factors, particularly in privately-owned businesses that have historically not had to consider ESG factors to the same extent as larger PLCs.

3. Define your ESG data collection and reporting priorities

For both regulated and non-regulated businesses, there is an emerging global ESG framework against which you'll be assessed. It's therefore essential to ensure all your professional advisors – accountants, actuaries, auditors and so on – are on the same page in terms of developing the data collection and reporting streams to enable that, because that's how the world will assess your business in future.

4. Focus on cyber security

Cyber security is getting ever more complex and the risks ever greater. For most businesses, it's not a question of if you will suffer a cyber-attack but when. It can cause huge damage, not just reputationally, but also commercially and financially. Businesses need to ensure they are as robust and resilient as possible to withstand cyber threats. Again, without the resources or depth of expertise as listed businesses, privately-owned businesses need to pay particular attention to protecting themselves from cyber security risks.

5. Don't be caught out by regulatory changes

The role of businesses in society and people's expectations of how businesses should behave has changed enormously in the past few years. ESG is part of that, but also other issues such as corporate failures, taxation, privacy and more. The regulatory environment is continually developing to reflect these changes. Companies that do best in the long-run will be those that can negotiate and manage this fast-changing regulatory landscape.

Ultimately, the message of the 2021 C-suite barometer is one of positivity. After two years of uncertainty, C-suite leaders have shown the confidence and resilience to survive and to thrive: qualities that are likely to be tested once again in 2022. Those that win out in the marketplace, will be those who are best able to maintain that positivity and turn it into action over the next 12 months.

Regional insights: APAC

C-suites in Asia Pacific are confident in their future prospects.

- Three in four APAC executives (78%) predict revenue growth this year, compared to 86% globally.
- These executives are highly confident in their crisis resilience: 82% say that they're confident their businesses can overcome a crisis.

APAC businesses are less likely to transform themselves than those in other regions.

- Three in five (60%) APAC executives expect their business to undergo a technology transformation, 8% lower than the global average, and the lowest score of the global regions.
- Less than half (48%) expect an ESG transformation, compared to 62% of the global sample. This is the only global region where a minority expect an ESG transformation.
- Less than half (49%) of APAC executives expect a transformation in new services, markets, and business models, 8 points lower than the global average.

C-suites in APAC will retain remote working post-COVID, to a greater extent than other executives.

- A majority (53%) of APAC businesses say remote working will be a long-term change, 3% more than the global average.
- Asia Pacific businesses are confident in their level of data protection.
- Three in four (74%) feel that their data maturity is higher than their competitors'.
- Two in three (67%) say their business' data is fully protected, in line with the global average.
- Over half of Asia Pacific C-suites (55%) feel that cyber security risks have increased over the past year, which is consistent with the global average (55%).

APAC companies have an increased focus on ESG, which is seen as critical to their future.

- Three in five APAC leaders (63%) report their focus on ESG increasing as a result of COVID-19.
- Two-thirds of APAC companies (67%) have made a public commitment to reducing pollution.
- APAC businesses invest in ESG because they view it as critical to growth (49%), operations (44%) and client expectations (40%).
- APAC companies are highly focused on health and safety (62% vs. 63% globally), transparency (59% vs. 57% globally) and compliance (59% vs. 58% globally).

APAC C-suites prioritise analytical thinking and strategic vision as core leadership skills.

- Two thirds (68%) APAC companies say that COVID-19 has changed the leadership skills they need, 5% higher than the global average.
- C-suites in this region prioritise analytical thinking (42% vs. 38% globally) and strategic vision (41% vs. 39% globally) as top leadership skills.

Key figures
Tax rates & social insurance rates

Individual tax rates

Aggregate income taxation standard	Tax rate (from 2019[1])
Below KRW 12 million	6.6%
KRW 12 million ~ below KRW 46 million	16.5%
KRW 46 million ~ below KRW 88 million	26.4%
KRW 88 million ~ below KRW 150 million	38.5%
KRW 150 million ~ below KRW 300 million	41.8%
KRW 300 million ~ below KRW 500 million	44%
KRW 500 million and below KRW 1 billion	46.2 %
Above KRW 1 billion	49.5%

Corporate tax rates

Taxable income	Applicable rate
Amount below KRW 200 million	11%
Amount exceeding KRW 200 million and below KRW 20 billion	22%
Amount exceeding KRW 20 billion and below KRW 300 billion	24.2%
Amount exceeding KRW 300 billion	27.5%

Social insurance rates

Social insurance	Employer portion	Employee portion
Health insurance	Monthly average wage X 3.495% X 1.1227	Monthly average wage X 3.495% X 1.1227
National pension	Monthly average wage X 4.5%	Monthly average wage X 4.5%
Employment Insurance	Wage X (0.8% + premium by business size [0.25%~0.85%])	Wage X 0.8%
Industrial accident compensation insurance	Wage X premium by business type (0.7%~18.6%)	
Total	**About 10% of wage**	**About 9% of wage**

Premium rate introduced in this table may vary depending on the situation. Besides, upper limitation is set for some contributions.

Canon

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