

# Doing Business in Korea



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# Foreword

Korea continues to stand as one of Asia's most dynamic and advanced economies, combining cutting-edge technology, strong industrial capability and a highly educated workforce. Its strategic location in Northeast Asia, coupled with extensive free trade networks and a robust legal and financial infrastructure, has made Korea an attractive destination for global investors seeking stability and growth.

This publication, *Doing Business in Korea*, has been prepared by PKF Seo-hyun Accounting Corporation, a member firm of the PKF Global network. It aims to provide foreign investors, entrepreneurs and multinational corporations with an overview of the business and regulatory environment in Korea. The information herein outlines the key legal, accounting and taxation frameworks that influence how business is conducted in the country.

While Korea offers a favourable business climate, navigating its complex regulatory and tax systems often requires professional guidance. Our team at PKF Seo-hyun is committed to assisting clients in understanding local requirements, ensuring compliance and optimising their business structures for sustainable success. Drawing on our extensive experience with both domestic and international clients, we deliver practical insights and tailored solutions to support every stage of business growth – from market entry and corporate establishment to tax planning and financial reporting.

This guide reflects the laws and practices in effect as of 2025. It is intended for general informational purposes only and should not be regarded as a substitute for professional advice. Readers are encouraged to consult with our professionals for specific matters related to their business operations in Korea before making any business or investment decisions.

We hope this publication provides valuable insight into Korea's dynamic business landscape and serves as a useful reference for your future endeavours.



# Demographic and Environmental Overview

## Geography and Population

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The Republic of Korea (hereinafter 'Korea') is located in the southern part of the Korean Peninsula in Northeast Asia, bordered by the Democratic People's Republic of Korea (North Korea) to the north, the Yellow Sea to the west, the East Sea to the east and the Korea Strait to the south. Its total land area is approximately 100,000 square kilometres, comparable in size to Portugal or the US state of Indiana.

As of 2025, Korea's population is approximately 51.6 million, with over half residing in the Seoul metropolitan area, which encompasses Seoul, Incheon and Gyeonggi Province. Korea is one of the most urbanised and densely populated countries in the world, with strong infrastructure and advanced urban management systems. The population is highly educated, with literacy rates exceeding 99%, and a large portion of the workforce holding tertiary-level qualifications.

Although the population has been gradually declining due to a low fertility rate, the Korean government continues to pursue policies aimed at labour market flexibility, digital innovation and increased participation of women and senior workers in the economy.

## Political System

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Korea is a constitutional democracy adopting a presidential system of government. The president, elected by popular vote for a single five-year term, serves as both head of state and head of the executive branch. The National Assembly, composed of 300 members, exercises legislative authority, while the judiciary operates independently through the Constitutional Court and the Supreme Court.

Korea maintains a stable political environment with a strong rule of law and transparent governance structures. It is an active member of the Organisation for Economic Co-operation and Development (OECD), the World Trade Organization (WTO), the G20 and various regional economic and security forums. Its legal system is based primarily on civil law traditions, supplemented by well-developed administrative and commercial regulations.

## Economics

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Korea is the world's 13th-largest economy (by nominal GDP, IMF 2025) and a global leader in high-technology manufacturing and digital innovation. It has transformed from a low-income agrarian society in the 1950s to an advanced industrial economy known as one of the 'Four Asian Tigers'.

Key industries include semiconductors, automobiles, shipbuilding, petrochemicals, consumer electronics, biotechnology and renewable energy. The country's economic structure is export-oriented, with major trading partners including China, the United States, Japan and the European Union.

In recent years, Korea has focused on promoting digital transformation, green technology and sustainable growth under the 'K-Digital' and 'K-Green' initiatives. Despite global challenges, Korea maintains strong fiscal discipline, low unemployment and a resilient financial system.

Foreign direct investment (FDI) is actively encouraged under the Foreign Investment Promotion Act (FIPA), and a minimum investment of ₩100 million per foreign investor is generally required for the investment to be recognised as FDI and to access related benefits; where multiple foreign investors participate, each investor is normally expected to meet the ₩100 million threshold.

## Communications and Transportation

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Korea has one of the world's most advanced information and communication technology (ICT) infrastructures. Internet penetration exceeds 98%, and 5G mobile coverage is available nationwide. The country is also a leader in digital payments, e-government systems and cybersecurity.

Transportation infrastructure is highly developed, consisting of a dense network of expressways, railways, ports and airports. The Korea Train Express (KTX) connects major cities such as Seoul, Busan and Gwangju within a few hours. Incheon International Airport consistently ranks among the world's top airports, serving as a major logistics and passenger hub in Northeast Asia.

Korea's major seaports – Busan, Gwangyang and Incheon – facilitate efficient international trade and transshipment operations.

## Services and Exchange Controls

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The Korean won (₩, KRW) is the official currency. Korea maintains a liberalised foreign exchange regime under the Foreign Exchange Transactions Act (FETA), allowing free remittance of capital and profits for registered foreign investors, subject to certain reporting obligations.

Foreign currency accounts can be freely opened at domestic banks, and most foreign exchange transactions are conducted through authorised financial institutions. The Bank of Korea oversees monetary policy, while the Financial Services Commission (FSC) and Financial Supervisory Service (FSS) regulate and supervise financial markets.

Exchange controls are minimal, but transactions involving large capital movements, foreign borrowings or repatriation of investment funds must be reported for statistical and regulatory purposes.

## Finance

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Korea's financial sector is well regulated, diversified and technologically advanced. It includes commercial banks, investment banks, securities firms, insurance companies and asset management entities. The Bank of Korea (BOK) serves as the central bank and is responsible for monetary policy and financial stability.

Major domestic banks include KB Kookmin Bank, Shinhan Bank, Hana Bank and Woori Bank, alongside a number of foreign banks operating branches in Korea. The Korea Exchange (KRX) operates as the integrated securities and derivatives market.

The Korean financial market is open to foreign investors, who may purchase listed securities and participate in financial instruments with minimal restrictions, provided that disclosure and registration requirements are satisfied.

## Grants and Incentives

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The Korean government offers a range of fiscal and non-fiscal incentives to attract foreign investment and promote regional development. Key programmes include:

- cash grants for foreign investors contributing significantly to job creation or technology transfer;
- tax reductions or exemptions on customs duties, individual consumption tax and VAT;
- site support through foreign investment zones, free economic zones and industrial complexes offering reduced land lease costs and streamlined administrative procedures; and
- research and development (R&D) subsidies and preferential financing programmes for innovation and green initiatives.

These incentives are typically subject to approval from the Ministry of Trade, Industry and Resources (MOTIR) and relevant local governments.

While special tax exemptions and reductions on corporate income tax for foreign investment existed in the past, these were abolished in 2019 in accordance with EU and OECD recommendations. Instead, the government now focuses on cash grants and R&D support.

## Regulatory Environment

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Korea's business regulatory framework is transparent and aligned with international standards. The key regulatory bodies include:

- Ministry of Economy and Finance (MOEF) – fiscal and tax policy;
- Korea Fair Trade Commission (KFTC) – competition and antitrust enforcement; and
- Financial Services Commission (FSC) – financial and capital market oversight.

Other ministries, such as the MOTIR and the Ministry of Climate, Energy and Environment (MCEE), regulate specific sectors including investment and environmental standards.

Invest Korea is the national investment promotion agency established within Korea Trade-Investment Promotion Agency (KOTRA) to support the successful market entry of foreign enterprises. It provides comprehensive services, including investment consulting, notification, corporate establishment, business support, etc.

## Mergers and Acquisitions

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Mergers and acquisitions (M&A) are governed by the Commercial Act, the Fair Trade Act and the Financial Investment Services and Capital Markets Act (FSCMA). Foreign investors may acquire shares in Korean companies without prior approval, except in restricted industries such as defence, telecommunications or energy, where national security or public interest considerations apply.

Large-scale M&A transactions are subject to review by the Korea Fair Trade Commission (KFTC) to prevent anti-competitive effects. Cross-border mergers are permitted under Korean law, and due diligence typically includes legal, financial and tax reviews consistent with international practices.

## Securities

The Korean capital market is sophisticated and open to international participants. The Korea Exchange (KRX) operates the KOSPI and KOSDAQ markets for equity trading, as well as a derivatives market.

The Financial Services Commission (FSC) and Financial Supervisory Service (FSS) jointly regulate the securities market, ensuring investor protection and market transparency. Foreign investors may invest in listed Korean securities through a single investor ID registration system.

Disclosure, insider trading and accounting rules closely follow global standards, including the application of international financial reporting standards (IFRS).

## Statutory External Audit Requirements

In South Korea, statutory external audit requirements are primarily governed by the Act on External Audit of Stock Companies.

A company is required to undergo an external audit by an independent certified public accountant (CPA) if it falls under any of the following categories based on its financial status at the end of the preceding fiscal year

Type of company	Criteria
Stock companies (chusik hoesa)	<p>A stock company must be audited if it meets <b>at least one</b> of the following criteria:</p> <ul style="list-style-type: none"> <li>▪ total assets or annual sales of ₩50 billion or more</li> <li>▪ all companies listed on the KRX, including KOSPI and KOSDAQ, or those planning to list</li> <li>▪ a company that meets at least two of the following four criteria:               <ol style="list-style-type: none"> <li>i. total assets of ₩12 billion or more</li> <li>ii. total liabilities of ₩7 billion or more</li> <li>iii. annual sales of ₩10 billion or more</li> <li>iv. 100 or more employees.</li> </ol> </li> </ul>
Limited companies (yuhan hoesa)	<p>A limited company must be audited if it meets <b>at least one</b> of the following criteria:</p> <ul style="list-style-type: none"> <li>▪ total assets or annual sales of ₩50 billion or more</li> <li>▪ a company that meets at least three of the following five criteria:               <ol style="list-style-type: none"> <li>i. total assets of ₩12 billion or more</li> <li>ii. total liabilities of ₩7 billion or more</li> <li>iii. annual sales of ₩10 billion or more</li> <li>iv. 100 or more employees</li> <li>v. 50 or more shareholders or members.</li> </ol> </li> </ul>

Small and medium-sized enterprises (SMEs) below these thresholds are exempt from statutory audits but may voluntarily obtain an audit for financing or investor relations purposes. Many foreign investors opt for voluntary audits to enhance transparency and maintain compliance with group reporting requirements.

Companies meeting the specified criteria are legally obligated to conduct an external audit; failure to do so may lead to penalties.

## Internal Accounting Control System Requirements

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Listed companies and large unlisted companies, which have assets of ₩100 billion and more, are required to establish internal accounting control systems and undergo external audits.

In addition, under the Financial Investment Services and Capital Markets Act (FSCMA) and the External Audit Act, listed companies in Korea are required to maintain effective internal control systems, ensure auditor independence and disclose material weaknesses in internal controls – requirements that closely mirror Sarbanes-Oxley (SOX) standards.

Subsidiaries of multinational corporations operating in Korea often adopt SOX-compliant frameworks voluntarily, particularly when reporting to US or global headquarters. This approach helps maintain consistency in internal audit, risk management and financial reporting processes across international entities.



# Forms of Business Organisations

## Stock Company

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The stock company ([chusik hoesa](#)) is the most widely used corporate form in Korea. It is governed by the Commercial Act and recognised as a separate legal entity distinct from its shareholders.

A stock company requires at least one director and one shareholder, and there are no nationality restrictions for either. The minimum capital requirement has been abolished, allowing foreign investors to establish corporations without a fixed capital threshold. However, for businesses subject to foreign investment notification under the Foreign Investment Promotion Act (FIPA), a minimum investment of ₩100 million per foreign investor is generally required in order for the investment to be recognised as a foreign direct investment and to enjoy the related benefits.

Corporate governance typically consists of a board of directors, a representative director and, for larger companies, a statutory auditor. Annual general meetings must be held within three months of the fiscal year end to approve financial statements and appoint directors or auditors.

## Limited Company

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The limited company ([yuhan hoesa](#)) is a form of business entity under the Commercial Act in which members' liability is limited to the amount of their capital contributions.

Unlike a joint stock company ([chusik hoesa](#)), a [yuhan hoesa](#) does not issue shares and ownership interests are represented by equity quotas rather than stock. As a result, transfers of ownership interests are generally more restricted and often require the consent of other members, making this structure suitable for closely held businesses.

Management is typically carried out by one or more directors, and there is no statutory requirement to appoint a board of directors or statutory auditors, unless required by other applicable laws.

Due to its relatively simple governance structure and limited disclosure obligations, the [yuhan hoesa](#) structure is often used by foreign investors, including wholly owned Korean subsidiaries of multinational groups.

## Limited Liability Company

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The limited liability company ([yuhan chaekim hoesa](#)) was introduced to provide flexibility similar to that of US or European LLCs. It combines corporate limited liability with simplified governance, making it suitable for smaller or privately held foreign investments. In this structure, members' liability is limited to the amount of their capital contributions, and members are not personally liable for the company's obligations.

Unlike a joint stock company ([chusik hoesa](#)) or a limited company ([yuhan hoesa](#)), a [yuhan chaekim hoesa](#) offers greater flexibility in internal governance. The internal structure, management authority and profit allocation can be freely determined in the articles of incorporation, allowing members to customise the entity to suit their commercial needs.

This form is increasingly favoured by foreign investors seeking simplified compliance, reduced administrative burden and protection of limited liability.

## Partnerships

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The commercial law recognises two types of partnerships under the Korean Commercial Code:

- general partnership (*hapmyung hoesa*) – partners have unlimited joint and several liability; and
- limited partnership (*hapja hoesa*) – composed of general partners with unlimited liability and limited partners whose liability is limited to the amount of their capital contributions.

Partnerships do not have separate legal personality, and profits are generally taxed at the partner level. Accordingly, they are rarely used by foreign investors, except in specific professional or joint venture settings where flexible profit allocation is desired.

Because of the unlimited liability feature, this structure is typically chosen only for small businesses or firms operating in professional services (e.g. law, accounting or consulting partnerships).

## Branch of a Foreign Corporation

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A branch is not a separate legal entity but an extension of its foreign head office. It is established primarily to conduct commercial activities in Korea on behalf of the parent company.

Registration with the district court and tax authorities is required before commencing operations. A branch must appoint a resident representative who has the authority to act on behalf of the foreign corporation.

Since the branch is considered tax resident in Korea, its profits are subject to relevant taxes in Korea, including corporate income tax. In addition, branches are required to maintain separate accounting records for Korean operations and comply with local filing obligations.

This form is suitable for foreign companies that wish to test the Korean market without forming a separate legal entity.

## Representative Office (Liaison Office)

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A representative office (also referred to as a liaison office) in Korea is a non-incorporated presence established by a foreign company for non-commercial and preparatory activities only. It does not constitute a separate legal entity and is treated as an extension of the foreign head office.

A representative office is permitted to engage solely in non-revenue-generating activities, such as market research, information gathering, liaison and communication with business partners, quality control and promotional or advertising activities that do not involve contract execution or consideration.

The office is strictly prohibited from conducting business activities, including entering into contracts, issuing invoices, receiving payments, generating revenue, providing services for consideration or holding inventory. If such activities are carried out, the representative office may be recharacterised as a permanent establishment or branch, triggering Korean corporate income tax and VAT exposure.

The establishment of a representative office is completed through a reporting process with a designated foreign exchange bank, rather than formal incorporation or court registration. Due to its simplicity and limited regulatory burden, this structure is commonly used by foreign companies at an early stage of market entry into Korea.

# Accounting

Korea's accounting environment is highly developed and closely aligned with international standards. This section outlines the key features of Korea's financial reporting and accounting framework, including statutory requirements, accounting principles and tax reporting practices that businesses must comply with.

## Fundamental Financial Accounting Standards

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Korea has implemented the Korean international financial reporting standards (K-IFRS), which are substantially consistent with the international financial reporting standards (IFRS) issued by the IASB. Listed companies, financial institutions and certain large unlisted entities are required to apply K-IFRS.

Non-listed small and medium-sized entities may adopt Korean generally accepted accounting principles (K-GAAP), which provide simplified accounting treatment while maintaining comparability and reliability. The Korea Accounting Standards Board (KASB) regularly updates both frameworks to reflect international developments and domestic needs.

K-IFRS is principles-based, emphasising fair value measurement, substance over form and disclosure transparency. It enhances the ability of investors and regulators to assess the financial health and performance of Korean businesses.

## Accounting Principles

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Key accounting principles under K-IFRS and K-GAAP include:

- **Accrual basis:** Revenue and expenses are recognised when earned or incurred, not when cash is received or paid.
- **Consistency:** Accounting policies must be applied consistently from one period to another unless a justified change improves reliability or relevance.
- **Materiality:** Disclosures and classifications should focus on information material to users of financial statements.
- **Going concern:** Financial statements are prepared on the assumption that the entity will continue operations for the foreseeable future.
- **Faithful representation:** Information must be complete, neutral and free from material error.

These principles form the foundation of reliable and transparent financial reporting in Korea.

## Tax Accounting and Reporting

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In Korea, companies are required to maintain accounting records in accordance with both financial accounting standards and tax regulations. While financial statements are prepared under either K-IFRS or K-GAAP, taxable income is determined under the Corporate Income Tax Act and related enforcement decrees.



Corporations must file annual income tax returns within three months following the end of the fiscal year. Interim tax payments are also required, generally within six months of the start of the fiscal year. Businesses subject to VAT must file quarterly returns, while those engaged in payroll activities must withhold and remit income tax and social insurance contributions on behalf of employees.

Foreign-invested entities are additionally required to maintain separate books for their Korean operations and may be subject to transfer pricing documentation under the International Tax Adjustment Act.

## Financial Reporting

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All corporations are required to prepare annual financial statements, including:

- statement of financial position;
- statement of comprehensive income;
- statement of changes in equity;
- statement of cash flows; and
- notes to the financial statements.

For corporations subject to external audit, these statements must be approved at the annual general meeting (AGM) and filed with the Financial Supervisory Service (FSS) through the DART (Data Analysis, Retrieval and Transfer) system within two weeks of approval.

Unlisted companies that are not subject to audit may maintain simplified reporting but must still retain financial records for at least five years for tax and regulatory purposes.

Publicly listed companies are also required to publish quarterly and semi-annual reports to ensure timely disclosure to investors. The trend towards digital reporting and electronic filing has significantly improved efficiency and accessibility of corporate financial information.

# Taxation

## National Taxes and Levies

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Korea's principal national taxes relevant to businesses are corporate income tax, VAT, withholding taxes on passive income and customs duties. Local taxes are additional and levied by municipal/provincial authorities. Corporate taxpayers file national tax returns with the National Tax Service (NTS) and remit VAT, withholding taxes and other levies per statutory deadlines.

## Corporate Income Tax

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Resident corporations are taxed on worldwide income; non-resident corporations are taxed only on Korea-source income. Korea applies progressive corporate income tax rates by taxable income brackets.

Effective from the taxable year beginning 1 January 2026, the corporate income tax rates are as follows:

Tax base	Tax rate
Up to ₩200 million	10% of tax base
Exceeding ₩200 million up to ₩20 billion	₩18 million + 20% of the amount exceeding ₩200 million
Exceeding ₩20 billion up to ₩300 billion	₩3.78 billion + 22% of the amount exceeding ₩20 billion
Exceeding ₩300 billion	₩62.58 billion + 25% of the amount exceeding ₩300 billion

## Capital Gains Tax

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Capital gains realised by corporations are generally included in ordinary taxable income and taxed at corporate rates. Special regimes apply for real estate transfers, large share disposals and certain restructuring transactions (tax deferrals or exemptions may apply under restructuring rules). Non-resident shareholders disposing of Korean real estate or significant shareholdings may face separate withholding or special tax regimes.

## Taxation of Branches of Foreign Corporations

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A foreign company's Korean branch (permanent establishment) is taxed on Korean-source profits at normal corporate rates. Profit repatriation from a branch is treated differently from dividends and may trigger 'branch tax'; however, this is often reduced or exempted under relevant tax treaties. Additionally, branches are subject to additional reporting and transfer pricing requirements, and they must maintain separate books for Korean operations.

## Sales Tax/Value Added Tax

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Korea's standard VAT rate is 10% on the supply of most goods and services; certain supplies are zero-rated (e.g. most exports) or exempt. VAT registration, invoicing and periodic filing rules apply to domestic and non-resident suppliers (digital services rules apply to cross-border supplies to Korean consumers).

## Local Taxes

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Local (municipal/provincial) taxes include local income tax (a surcharge on national income tax), property tax, acquisition tax, registration and licence taxes, and local consumption taxes. For corporations, local income tax is commonly calculated as 10% of the corporate income tax liability. Local tax rules (valuation bases and rates) differ by jurisdiction.

## Other Taxes

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Other potential levies include stamp/registration taxes, real property taxes, special consumption taxes (on specified goods), customs duties on imports and sector-specific levies. Companies should assess industry-specific taxes (e.g. tobacco, alcohol, certain energy products) when planning operations. Recent temporary policy measures (e.g. fuel tax cuts/subsidies) may also affect effective tax burdens.

## Determination of Taxable Income

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Taxable income is derived by adjusting accounting profit to arrive at the final tax base under the Corporate Income Tax Act and enforcement decrees. Key elements are outlined below.

- **Tax Depreciation/Capital Allowances**

Tax depreciation follows statutory lives and prescribed rates; methods generally include straight-line and declining balance. Tax depreciation rules and lives may differ from accounting depreciation (K-IFRS), creating temporary differences for deferred tax accounting. Accelerated or additional allowances may be available for qualifying R&D or green investments.

- **Stock/Inventory**

Inventory for tax purposes is valued at the lower of cost or market value. Permitted cost formulas include specific identification, FIFO and weighted average; LIFO is disallowed. Inventory write-downs are deductible when realised or when specific conditions are met.

- **Capital Gains and Losses**

Gains on disposal of assets (including shares and real estate) are taxable; specific withholding or surtax rules may apply to certain disposals. Loss recognition follows realisation principles and related-party limitations may restrict deductibility.

Restructuring reliefs exist under specified regimes.

- **Dividends**

Dividends received by resident corporations from domestic subsidiaries may be partially excluded (based on ownership and holding period) to alleviate double taxation.

Dividends paid to non-resident shareholders are subject to withholding tax at a standard domestic rate, which is often reduced under relevant treaties. For dividend income received from qualifying foreign subsidiaries, 95% of the amount is excluded from the Korean parent company's taxable income.

### ▪ Interest Deductions

Interest is deductible if incurred for business purposes, but it is subject to anti-avoidance limits. Specifically, thin capitalisation rules apply, whereby interest paid to overseas controlling parties may be recharacterised and disallowed when debt-to-equity thresholds are exceeded. Additionally, an earnings-stripping (interest limitation) rule disallows interest expenses where net interest exceeds a certain percentage of adjusted taxable income.

### ▪ Foreign-sourced Income

Resident corporations are taxed on worldwide income. Non-residents are taxed on Korean-source income only. Reporting requirements are applicable for cross-border transactions.

## Net Operating Losses

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Net operating losses (NOLs) can be carried forward to offset future taxable income, thereby reducing the tax burden in profitable years. NOLs incurred in 2021 or later can be carried forward for 15 years, though there is a cap on how much can be deducted in a single year depending on the size of the company.

## Foreign Tax Relief

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Foreign taxes paid on foreign-sourced income may be credited or deducted against Korean tax. There are two main types of foreign tax relief:

- Direct credit: Tax paid by the Korean corporation abroad
- Indirect/deemed paid credit: Dividends from a foreign subsidiary where ownership exceeds 25%.

Additionally, for dividend income from foreign subsidiaries, a 95% exclusion from taxable income was introduced in 2023. This is now the primary relief method, which has simplified the complexities associated with the previous foreign tax credit system for inbound dividends.

## Corporate Groups

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Korean tax law recognises group contexts for transfer pricing, consolidation considerations and certain reliefs. There is no mandatory group tax consolidation system in Korea. Special rules may apply to intra-group transactions, and the utilisation of losses across related entities is generally limited.

## Transfer Pricing and Related-party Transactions

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Korea requires arm's-length pricing for related-party transactions and mandates contemporaneous transfer pricing documentation, including master file and local file structures and related disclosures. Penalties apply for non-compliance, and transfer pricing adjustments are common in cross-border intra-group financing, royalties and service fees. Advance pricing agreements (APAs) are available to provide tax certainty, and Korean tax authorities frequently reference OECD transfer pricing guidelines.

## Treaty and Non-treaty Withholding Tax Rates

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Korea levies withholding tax on payments to non-residents, including dividends, interest, royalties and technical service fees. While domestic statutory rates apply, these may be reduced under applicable tax treaties. Standard domestic withholding rates (typically 20%, or 22% including the 10% local income surtax) vary by item and taxpayer. It is essential to verify the specific treaty for reduced rates and ensure all procedural requirements, such as filing an application for a reduced rate, are met.

## Compliance and Reporting

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Key compliance obligations include:

- Corporate income tax return: Generally filed within three months after the fiscal year end (specific payment deadlines and interim payment rules apply).
- Corporate local income tax return: Generally filed within four months after the fiscal year end (specific payment deadlines apply).
- VAT returns: Periodic filings (monthly or quarterly, depending on the taxpayer's size) must be submitted electronically via the NTS HomeTax system.
- Withholding tax: Timely monthly or periodic remittance is required for payroll and payments made to non-residents.
- Transfer pricing documentation: Mandatory documentation and disclosures for related-party transactions and certain cross-border arrangements.

The Korean tax administration utilises a robust electronic filing system (HomeTax) and participates in the increasing global exchange of information.



# Taxation of Individuals in Korea

## Entry into Korea, Visas and Permits

Foreign nationals enter and stay in Korea under various visa categories. Common long-term work/residency visas include E-7 (specialised skill), E-1 to E-6 (profession-specific), D-2 (student), D-10 (job seeker) and F-2/F-5 (residence/permanent residence). Additionally, a pilot 'digital nomad (workcation)' visa is available for qualifying remote workers. As this scheme operates on a pilot basis, eligibility and permitted durations are subject to change; therefore, applicants should consult the latest guidance from the Ministry of Justice via official portals like 'Hi Korea'. Foreigners staying over 90 days must obtain a residence card (formerly alien registration card or ARC) and register with their local immigration office.

## Personal Income Tax

### • Residence Test and Scope

An individual is deemed a tax resident if they are domiciled in Korea or present in the country for 183 days or more during a tax year. Effective from 2026, the residency criteria have been clarified to include individuals who reside in Korea for a consecutive period of 183 days spanning two tax years.

While residents are generally taxed on their worldwide income, a special relief applies to foreign residents: those who have resided in Korea for five years or less (in aggregate within the last 10 years) are taxed only on Korea-source income. Foreign-source income for these individuals is subject to Korean tax only if it is paid in or remitted to Korea.



## ▪ Rates and Structure

Korea operates a progressive personal income tax system, with marginal rates ranging from 6% to 45% for employment and other income categories, plus a 10% local income surtax. Specific withholding regimes and rates apply to certain income types, such as capital gains, dividends and interest.

Employers are generally required to withhold payroll taxes and remit social insurance contributions monthly.

Foreign employees may elect to apply a flat 19% tax rate (effectively 20.9% including the local income tax) instead of the progressive rates, provided they meet the conditions under the Special Tax Treatment Control Act.

## Totalisation Agreements on Social Security

Korea has concluded bilateral social security (totalisation) agreements to avoid double mandatory pension contributions and to allow for benefit totalisation. Notable partners include the United States, Australia, Japan, Canada, Vietnam and many EU countries. These agreements typically: (i) exempt detached workers from dual contributions; (ii) allow for the aggregation of contribution periods to establish benefit eligibility; and (iii) facilitate the overseas payment of benefits. Taxpayers should consult the National Pension Service (NPS) and the partner country's agency for country-specific rules and to obtain a certificate of coverage.

## Employees' Rights and Social Insurance

Employment terms are governed principally by the Labour Standards Act and its related regulations; therefore, all employment contracts must comply with these statutory requirements. Employers are mandated to provide written employment contracts – specifying wages, working hours, holidays and leave – and must adhere to statutory minimum standards. Additionally, employers must manage payroll withholding for income tax and the 'four major social insurances': national pension, national health insurance, employment insurance and industrial accident compensation insurance.

Year-end tax settlement procedures and withholding obligations are administered by the NTS and social insurance providers. Violations, such as unlawful dismissals or non-payment of wages, may attract administrative sanctions and civil remedies.

As of 2026, the standard rates of the four major social insurances are as follows:

Category	Contribution rate (total)	Employer/employee split
National pension	9.5%	4.75% each
Health insurance	Approximately 7.19%	Approximately 3.6% each
Employment insurance	1.8% or higher	0.9% each + stabilisation and skill development: 0.25–0.85% (employer only)
Industrial accident	Varies by industry	100% employer paid

## Directors

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Directors' fees and board remuneration paid by Korean entities are generally considered Korea-sourced income and are taxable in Korea. For non-resident directors, such fees are subject to Korean taxation, typically through withholding at source.

Whether a director is classified as an employee (subject to payroll withholding and social insurance) depends on factual circumstances, such as the nature of the employment relationship, the degree of control and day-to-day duties. Non-resident directors performing duties in Korea should expect personal tax obligations. Additionally, tax treaty considerations, including residency and tie-breaker rules, may alter the specific taxing rights between jurisdictions.

## Reporting Requirements for Resident and Non-resident Aliens

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Residents must file an annual personal income tax return (or complete a year-end settlement via their employer). Long-term residents (those in Korea for more than five years) must report worldwide income, while short-term residents are taxed only on Korea-source income (plus foreign-source income remitted to Korea). Taxpayers must file and pay by statutory deadlines and maintain appropriate records in accordance with NTS guidance.

Non-residents are required to report Korea-source income and ensure that proper withholding has been applied at source. They may also need to file returns to claim tax treaty benefits or refunds.

## Estate and Gift Tax

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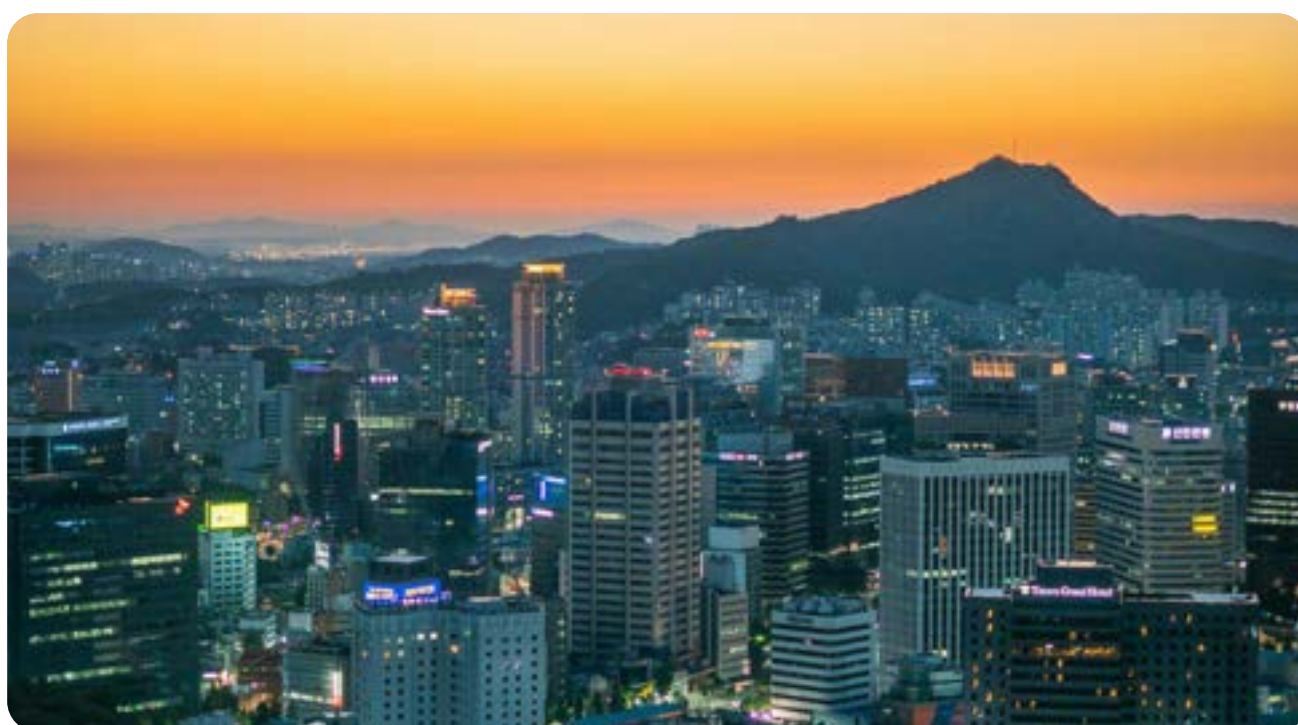
Korea levies inheritance and gift tax under the Inheritance and Gift Tax Act. Transfers of assets via death or gift are taxed at progressive rates, ranging from 10% to 50% depending on the taxable base. Cross-border estate planning must account for Korean situs rules regarding real property and other Korean-situs assets, limited tax treaty relief and the potential for double taxation.



# Appendix

## Useful Links and Reference Websites

Korea Trade-Investment Promotion Agency (KOTRA)	<a href="https://www.kotra.or.kr/english/index.do">https://www.kotra.or.kr/english/index.do</a>
Invest Korea	<a href="https://www.investkorea.org/ik-en/index.do">https://www.investkorea.org/ik-en/index.do</a>
Korea Customs Service	<a href="https://www.customs.go.kr/english/main.do">https://www.customs.go.kr/english/main.do</a>
National Tax Service (NTS)	<a href="https://www.nts.go.kr/english/main.do">https://www.nts.go.kr/english/main.do</a>
Ministry of Employment and Labour (MOEL)	<a href="https://www.moel.go.kr/english/">https://www.moel.go.kr/english/</a>
Korean Accounting Institute (KAI)	<a href="https://eng.kasb.or.kr/eng_main_home.do">https://eng.kasb.or.kr/eng_main_home.do</a>
Financial Services Commission	<a href="https://www.fsc.go.kr/eng/index">https://www.fsc.go.kr/eng/index</a>
Ministry of Economy and Finance	<a href="https://english.moef.go.kr">https://english.moef.go.kr</a>
Ministry of Trade, Industry and Resources (MOTIR)	<a href="https://english.motir.go.kr/#anchor1">https://english.motir.go.kr/#anchor1</a>
Ministry of Climate, Energy and Environment (MCEE)	<a href="https://mcee.go.kr/eng/web/main.do">https://mcee.go.kr/eng/web/main.do</a>
Korea Fair Trade Commission (KFTC)	<a href="https://www.ftc.go.kr/eng/index.do">https://www.ftc.go.kr/eng/index.do</a>
Ministry of Justice	<a href="https://www.moj.go.kr/moj_eng/index.do">https://www.moj.go.kr/moj_eng/index.do</a>
National Pension Service (NPS)	<a href="https://www.nps.or.kr/eng/main.do">https://www.nps.or.kr/eng/main.do</a>
Hi Korea (portal)	<a href="https://www.hikorea.go.kr/Main.pt?locale=en">https://www.hikorea.go.kr/Main.pt?locale=en</a>





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