

Samil Tax Corporation Newsletter

October 2, 2024

2024 Korean Tax Reform Proposal

On July 25th 2024, the Ministry of Economy and Finance of South Korea announced the 2024 tax revision proposal including some matters related to income tax. Following a public notice for legislation, etc., this proposal was submitted to National Assembly on September 2nd.

The main contents of this tax reform plan are as follows.

1. Support for Marriage, Childbirth, and Childcare

1) Introduction of Marriage Tax Credit (New in Article 95 of the Special Tax Treatment Control Act)

Reason for Amendment: Support for Marriage Expenses

Current	Proposed
< Newly established >	<ul style="list-style-type: none">□ Marriage Tax Credit● (Eligible Recipients) Residents who have registered their marriage● (Applicable Year) The year of marriage registration (once in a lifetime)● (Deduction Amount) KRW 500,000● (Applicable Period) For marriage registrations from 2024 to 2026

<Effective Date> Applicable to those who file a tax return or year-end tax settlement on or after January 1st 2025.

2) Expansion of Tax Benefits for Comprehensive Housing Subscription Savings (Article 87 of Special Tax Treatment Control Act)

Reason for Amendment: Support for housing arrangements for married households

Current	Proposed
<ul style="list-style-type: none">□ Income Deduction for Contributions to Comprehensive Housing Subscription Savings● (Eligible Recipients) Head of a household without a home who is an employee**Income Requirement: Total annual salary of KRW 70 million or less● (Income Deduction) 40% of the contributions are deductible from employment income (Contribution limit: KRW 3 million per year)● (Expiration Date) December 31, 2025	<ul style="list-style-type: none">□ Expansion of Eligibility Criteria● Employed individuals who are the head of a household without owning a home and their spouses <p>(Unchanged)</p>

<input type="checkbox"/> Tax Exemption on Interest Income for Youth* Preferential Comprehensive Housing Subscription Savings * Age: 19 to 34 years old ● (Eligible Recipients) Head of a household without a home *Income Requirement: Total annual salary of KRW 36 million or comprehensive income of KRW 26 million or less ● (Tax-Exempt Limit) KRW 5 million ● (Expiration Date) December 31, 2025	<input type="checkbox"/> Expansion of Eligibility Criteria ● Head of a household without owning a home and their spouses] (Unchanged)
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<Effective Date> (Tax Deduction) Applicable to contributions made on or after January 1st 2025
 (Tax Exemption) Applicable to interest income received on or after January 1st 2025

3) Tax Exemption for Corporate Childbirth Support Payments (Article 12-3 of Income Tax Act)

Reason for Amendment: To alleviate the burden of childbirth and childcare

Current	Proposed
<input type="checkbox"/> Tax-Exempt Childbirth Allowance from Earned Income (Eligibility) Salary received from the employer in relation to the childbirth of the individual or their spouse < Newly established > ● (Limit) KRW 200,000 per month ※ The current tax exemption for childcare allowance for children under 6 years old (KRW 200,000 per month) remains unchanged.	<input type="checkbox"/> Abolition of Tax-Exempt Limit ① Salary received from the employer in relation to the childbirth of the employee or their spouse, ② Within 2 years after the birth date*, ③ Paid according to common payment regulations (up to 2 times) * For allowances paid in 2024, includes payments for children born on or after January 1 st 2021 - (Exclusion) Payments received in relation to childbirth by relatives in special relationships ● Entire amount is tax-exempt (no limit)

<Effective Date > Applicable to payments received on or after January 1st 2024

4) Increase in Child Tax Credit Amount (① in Article 59-2 of Income Tax Act)

Reason for Amendment: To alleviate the burden of childbirth and childcare

Current	Proposed
<input type="checkbox"/> Child Tax Credit ● (Eligible Children) Children or grandchildren aged 8 or older who qualify for the basic deduction ● (Credit Amount) - (First child) KRW 150,000 - (Second child) KRW 200,000 - (Third child and beyond) KRW 300,000 per child	<input type="checkbox"/> Increase in Deduction Amount] (Unchanged) - (First child) KRW 250,000 - (Second child) KRW 300,000 - (Third child and beyond) KRW 400,000 per child

<Effective Date> Applicable to income generated on or after January 1st 2025

2. Reduction of Burden for Low- and Middle-Income Households

1) Expansion of Credit Card Income Deduction for Swimming Pool and Fitness Center Fees (② in Article 126-2 of Special Tax Treatment Control Act)

Reason for Amendment: To alleviate the burden of sports facility fees for low and middle income households

Current	Proposed																						
<p>□ Income Deduction for Credit Card and Other Payment Amounts</p> <ul style="list-style-type: none"> ● (Eligible Amount) Amounts used over 25% of total salary ● (Basic Deduction) <p>- (Deduction Rate) Varies by payment method</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;">Classification</th> <th style="width: 30%;">Deduction Rate</th> </tr> </thead> <tbody> <tr> <td>① Credit card</td> <td>15%</td> </tr> <tr> <td>② Cash receipt, debit card</td> <td>30%</td> </tr> </tbody> </table> <p>- (Deduction Limit)</p> <ul style="list-style-type: none"> - (KRW 70 million or less) KRW 3 million - (More than KRW 70 million) KRW 2.5 million <ul style="list-style-type: none"> ● (Additional Deduction) <p>- (Deduction Rate)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;">Classification</th> <th style="width: 30%;">Deduction Rate</th> </tr> </thead> <tbody> <tr> <td>① Traditional market, public transportation</td> <td>40%</td> </tr> <tr> <td>② Books, performances, art galleries, museums, movie tickets, etc. *</td> <td>30%</td> </tr> <tr> <td colspan="2" style="text-align: center;"><Additional></td> </tr> </tbody> </table> <p>*Applicable only to those with total salary of KRW 70 million or less</p> <p>- (Deduction Limit)</p> <ul style="list-style-type: none"> - (KRW 70 million or less) KRW 3 million - (More than KRW 70 million) KRW 2 million - <ul style="list-style-type: none"> ● (Applicable Until) December 31st 2025 	Classification	Deduction Rate	① Credit card	15%	② Cash receipt, debit card	30%	Classification	Deduction Rate	① Traditional market, public transportation	40%	② Books, performances, art galleries, museums, movie tickets, etc. *	30%	<Additional>		<p>□ Expansion of Eligibility for Additional Deduction</p> <p style="text-align: center;">(Unchanged)</p> <ul style="list-style-type: none"> ● Addition of Items for Additional Deduction <p>- (Deduction Rate)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;">Classification</th> <th style="width: 30%;">Deduction Rate</th> </tr> </thead> <tbody> <tr> <td>① Traditional market, public transportation</td> <td>40%</td> </tr> <tr> <td>② Books, performances, art galleries, museums, movie tickets, etc. *</td> <td>30%</td> </tr> <tr> <td colspan="2" style="text-align: center;">- Fees for swimming pool and fitness center facilities*</td> </tr> </tbody> </table> <p>* Applicable only to those with total salary of KRW 70 million or less</p> <p style="text-align: center;">(Unchanged)</p> <ul style="list-style-type: none"> ● (Unchanged) 	Classification	Deduction Rate	① Traditional market, public transportation	40%	② Books, performances, art galleries, museums, movie tickets, etc. *	30%	- Fees for swimming pool and fitness center facilities*	
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<Effective Date> Applicable to expenditures made on or after July 1st 2025

2) Expansion of Tax Credit Limits for Hometown Love Donations (Article 58-1 of Special Tax Treatment Control Act)

Reason for Amendment: To promote the Hometown Love Donation system

Current	Proposed
<p>□ Special Tax Credit for Hometown Love Donations</p> <ul style="list-style-type: none"> ● (Eligible Donations) Local governments other than the donor's place of residence ● (Tax Credit Rate) <ul style="list-style-type: none"> - (Up to KRW 100,000) Donation amount * 100/110 - (Over KRW 100,000) KRW 110,000 + (Amount 	<p>□ Increase in Donation Limit for Tax Credit Application</p> <p style="text-align: center;">(Unchanged)</p>

<p>exceeding KRW 100,000* X 15%)</p> <p>* For business operators, deductible as necessary expenses after deduction of carried forward losses</p> <p>● (Donation and Credit Limit) KRW 5,000,000</p>	<p>● KRW 5,000,000 → KRW 20,000,000</p>
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< Effective Date > Applicable to donations made on or after January 1st 2025

3. Rationalization of Tax Burden and Efficiency of Tax System

1) Establishing Tax-Exempt Criteria for Employee Discounts (Article 12-3 and ① in Article 20 of Income Tax Act)

Reason for Amendment: To rationalize the tax-exempt criteria for employee discounts

Current	Proposed
<p>< Newly established ></p>	<p>□ Defining Employee Discounts as Earned Income</p> <ul style="list-style-type: none"> ● (Employees) Employees of the company and its affiliates ● (Eligible Amount) If employees receive goods or services from the company or its affiliates at a discount compared to the fair market value*, the discounted amount is considered <ul style="list-style-type: none"> *The fair market value is based on pre-discount sales prices or listed prices (e.g., shopping mall prices). If there are sales to general consumers during the same period, those sales prices are recognized as fair market value ● (Applicable Conditions) The discount amount must be exclusively applied to employees, differentiating from general consumers <p>□ Tax-Exempt Amount of Discounts</p> <ul style="list-style-type: none"> ● (Tax-Exempt Amount) Max (20% of fair market value, KRW 2.4 million per year) ● (Tax-Exempt Eligibility Requirements) <ol style="list-style-type: none"> ① The employee must purchase for direct personal use ② Resale is prohibited for a certain period* <ul style="list-style-type: none"> * The specific period is delegated to be defined by Presidential Decree ③ The discount amount must be applied according to common payment standards

<Effective Date> Applicable to payments received on or after January 1st 2025

4. Revision of Tax Exemptions and Reductions

1) Reduction of Electronic Filing Tax Credit (Article 104-8 of Special Tax Treatment Control Act; Article 104-5 of Enforcement Decree of the Special Tax Treatment Control Act)

Reason for Amendment: Establishment of electronic filing

Current	Proposed
<p>□ Electronic Filing Tax Credit</p> <ul style="list-style-type: none"> ● (Eligibility) Individuals who file their tax base electronically* <ul style="list-style-type: none"> * Taxpayers, tax agents, tax firms, etc. ● (Credit Amount) Varies by type of tax filed <ul style="list-style-type: none"> - Comprehensive Income Tax, Corporate Tax: KRW 20,000 - Value-Added Tax: KRW 10,000 	<p>□ Reduction in Eligible Electronic Filings for Tax Credit</p> <ul style="list-style-type: none"> ● (Unchanged) ● Reduction in Eligible Tax Types <ul style="list-style-type: none"> <Deleted>

<ul style="list-style-type: none"> - Capital Gains Tax: KRW 20,000 ● (Credit Limit) Tax agents: KRW 3,000,000 Tax firms: KRW 7,500,000 	<ul style="list-style-type: none"> - (Unchanged) ● KRW 3,000,000 → KRW 2,000,000 KRW 7,500,000 → KRW 5,000,000
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<Effective Date> (Credit Amount) Applicable to electronic filings made on or after January 1st 2025
(Credit Limit) Applicable to tax years commencing on or after January 1st 2025

2) Extension of Application Period for Tax Association Tax Credit and Adjustment of Credit Rate, etc. (③ in Article 150 and Article 169 of Income Tax Act; ① in Article 221 of Tax Enforcement Decree)

Reason for Amendment: Rationalization of support levels for tax association tax credits and grants

Current	Proposed
<input type="checkbox"/> Tax Association* Withholding System * A system allowing taxpayers in industries where it difficult to capture the tax base to form associations and handle withholding and payment themselves. <ul style="list-style-type: none"> ● (Withholding and Payment) Withhold and pay the income tax of tax association members* monthly (by the 10th of the following month) * (Employees) Those who receive earned income from foreign corporations, etc., outside the country (Business Operators) Sellers of agricultural, livestock, and fisheries products (excluding those required to maintain double-entry bookkeeping); street vendors ● (Association Grants) 2-10% of the monthly withheld and paid income tax amount * Limit of KRW 300,000 per member ** (National Tax Service Notice) 2% of the income tax amount ● (Tax Credit for Association Members) ● 5% of the monthly income tax amount* * Limit of KRW 1,000,000 per member per year - (Applicable Until) December 31st 2024 	<input type="checkbox"/> Rationalization of Tax Credits and Grants <div style="text-align: center;">(Unchanged)</div> <ul style="list-style-type: none"> ● (Employees) Reduction of the lower limit for grants * (2-10% of income tax amount → 1-10%) * Limit of KRW 300,000 per member remains unchanged (Business Operators) Abolition of grants ● Reduction of Employee Tax Credit Rate: 5% of income tax amount → 3% * Limit of KRW 1,000,000 per member per year remains unchanged (Employees) Applicable until December 31st 2027 (Business Operators) End of application period

<Effective Date > Applicable to tax periods commencing on or after January 1st 2025

5. Enhancement of Tax Base Transparency

1) Supplementing Criteria for Determining Residency (③~⑤ in Article 5 of Income Tax Act, ②~③ in Article 4 of Income Tax Enforcement Decree; ①~② in Article 2 of Income Tax Enforcement Rule)

Reason for Amendment: To clarify the criteria for determining residency

Current	Proposed
<input type="checkbox"/> Definition of Resident <ul style="list-style-type: none"> ● An individual who has a domicile in Korea or resides in Korea for 183 days or more during a tax period < Newly established >	<input type="checkbox"/> Considering the Previous Tax Period When Calculating the Period of Residence (183 days) <ul style="list-style-type: none"> ● (Unchanged) - Includes cases where the residence is maintained continuously for 183 days or more
<input type="checkbox"/> Calculation of Residency Period (Period of Residence)	<input type="checkbox"/> Clarification of Criteria for Recognizing Residency

<ul style="list-style-type: none"> ● (Residency Period) From the day after the date of entry to the date of departure ● (Recognition of Residency Period) Periods of temporary departure for purposes such as tourism or medical treatment are also recognized as residency periods <p>□ Tax Period</p> <ul style="list-style-type: none"> ● (Principle) January 1 - December 31 ● (When Converting from Resident to Non-Resident) January 1 ~ Date of departure* * When a resident transfers their domicile or residence abroad < Newly established > 	<p>Period</p> <ul style="list-style-type: none"> ● (Unchanged) ● Specification of reasons of temporary departure <ul style="list-style-type: none"> - Personal reasons such as tourism, medical treatment, visiting relatives, etc. - Professional or business-related reasons such as business trips, training, etc. - Other comparable reasons <p>□ Clarification of Tax Period When Converting from Resident to Non-Resident and from Non-Resident to Resident</p> <ul style="list-style-type: none"> ● (Unchanged) ● Each tax period is considered as up to the date of departure and from the day after the date of departure, respectively ● (When Converting from Non-Resident to Resident) Each tax period is considered as up to the day before becoming a resident and from the day of becoming a resident, respectively
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<Effective Date> Applicable to tax periods commencing on or after January 1st 2026

6. International Taxation: Mandatory Submission of ‘Applications for Tax Exemption or Relief’ and of ‘Payment Statements for Domestic Source Personal Service Income’ (Article 156-2 of Income Tax Act; Article 216-2 of Income Tax Enforcement Decree; Article 98-4 of Corporate Tax Act; Article 162-2, Corporate Tax Enforcement Decree)

Reason for Amendment: To strengthen the management of certain tax sources for domestic source income

Current	Proposed
<p>□ Mandatory Application for Tax Exemption or Relief under Tax Treaties for Non-Residents and Foreign Corporations</p> <p>* Submission of ① Application for Tax Exemption or Relief and ② Documentation to verify the beneficial owner of the domestic source income</p> <ul style="list-style-type: none"> ● Income Exempt from Application Requirement <ul style="list-style-type: none"> - Domestic source business income - Domestic source personal service income <p>□ Obligation to Submit Payment Statements When Paying Income to Non-Residents or Foreign Corporations</p> <ul style="list-style-type: none"> ● Income Exempt from Submission Requirement <ul style="list-style-type: none"> - Income attributable to domestic business establishments, real estate income, income for which tax exemption or relief has been applied under tax treaties, etc. - Domestic source business income - Domestic source personal service income 	<p>□ Mandatory Application for Tax Exemption or Relief for Personal Service Income</p> <p style="text-align: center;">] (Unchanged)</p> <p style="text-align: center;">[</p> <p style="text-align: center;"><Deleted></p> <p>□ Mandatory Submission of Payment Statements for Personal Service Income</p> <p style="text-align: center;">] (Unchanged)</p> <p style="text-align: center;">[</p> <p style="text-align: center;"><Deleted></p>

<Effective Date> Applicable to payments made on or after January 1st 2026

Tax Calendar and Event

October 10th 2024 (Thursday): Filing and payment of withholding tax for income accrued in September 2024

October 25th 2024 (Friday): Filing and payment of the second period preliminary value-added tax for 2024

October 31st 2024 (Thursday): Submission of daily worker payment statements and simplified payment statements for resident business income accrued in September 2024

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