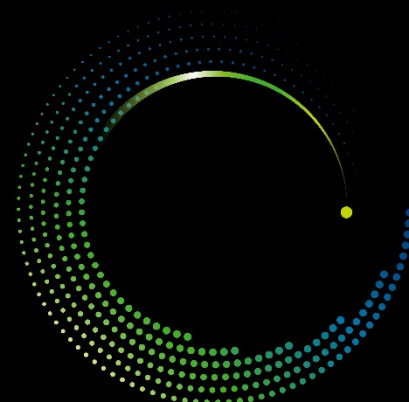


International Tax Korea (ROK) Highlights 2025

Updated January 2025



Recent developments

For the latest tax developments relating to Korea, see [Deloitte tax@hand](#).

Investment basics

Currency: South Korean Won (KRW)

Foreign exchange control: Controls exist but have been liberalized gradually. Foreign loans in excess of a specified amount must be reported in advance to the Ministry of Strategy and Finance. Loans granted to foreign borrowers also must be reported.

Accounting principles/financial statements: Korean GAAP and IFRS. IFRS is mandatory for listed companies and financial institutions and optional for unlisted companies.

Principal business entities: These are the stock corporation, limited liability company, and branch of a foreign corporation.

Corporate taxation

Rates	
Corporate income tax rate	Progressive from 9% to 24% (9.9% to 26.4% incl. local surtax)
Branch tax rate	Same as corporate income tax rate; branch tax of 2% to 15% also may be imposed if permitted under a tax treaty
Capital gains tax rate	Same as corporate income tax rate

Residence: A corporation is resident in Korea if its headquarters or place of effective management is in Korea.

Basis: Residents are taxed on worldwide income; nonresidents are taxed only on Korean-source income. Branches are taxed in the same way as subsidiaries.

Taxable income: Corporate income tax is imposed on a company's taxable income, which is its book net income after adjustments for differences between the accounting and tax rules. Subject to some exceptions, normal business expenses are deductible expenses for tax purposes.

Rate

General

The tax rate (excluding local tax) is 9% on the first KRW 200 million of taxable income, 19% on taxable income over KRW 200 million up to KRW 20 billion, 21% on taxable income over KRW 20 billion up to KRW 300 billion, and 24% on taxable income over KRW 300 billion.

Surtax

A local income tax of 10% of the corporate income tax rate applies. Therefore, the local tax rate is 0.9% on the first KRW 200 million of taxable income, 1.9% on taxable income over KRW 200 million up to KRW 20 billion, 2.1% on taxable income over KRW 20 billion up to KRW 300 billion, and 2.4% on taxable income over KRW 300 billion.

Alternative minimum tax

Corporate taxpayers are subject to a minimum tax that is imposed at a rate of 10% on taxable income up to KRW 10 billion, 12% on taxable income over KRW 10 billion up to KRW 100 billion, and 17% on taxable income over KRW 100 billion. The rate is 7% for small and medium-sized enterprises (SMEs).

Global minimum tax (Pillar Two)

Korea has implemented rules that generally are in line with the global anti-base erosion (GloBE) or “Pillar Two” model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for multinational enterprise groups with annual consolidated revenue of at least EUR 750 million. The IIR (income inclusion rule) applies for accounting periods beginning on or after 1 January 2024 and the UTPR (sometimes referred to as the undertaxed profit(s) rule or the undertaxed payments rule) applies for accounting periods beginning on or after 1 January 2025. Korea has not yet adopted a qualified domestic minimum top-up tax (sometimes referred to as a QDMTT).

Taxation of dividends: A dividends received deduction (DRD) is available for dividend income received by a Korean resident company from another Korean resident company. The DRD ratio ranges from 30% to 100% depending on the ownership percentage of the parent company. Dividends received from a foreign company also are subject to the DRD at a 95% ratio. The direct and indirect foreign tax credits for foreign income tax paid by the foreign company in its country of residence are available only for taxable dividend income.

Capital gains: Capital gains (or losses) generally are reflected in taxable income subject to corporate income tax. Korean-source capital gains derived by a nonresident are taxed at the lesser of 11% (including the local surtax) of the sales proceeds received or 22% (including the local surtax) of the gains realized.

Losses: Losses may be carried forward for up to 15 years. Domestic companies (other than small SMEs and companies implementing turnaround plans) and foreign companies may utilize their tax loss carryforwards to set off only 80% of the taxable income for a fiscal year. SMEs may carry losses back for one year.

Foreign tax relief: A Korean resident subject to tax in Korea and overseas is entitled to a foreign tax credit for foreign tax paid in respect of income earned overseas. The credit is limited to the amount of tax payable in Korea on the foreign-source income. In case of dividends received from a foreign company, foreign tax relief is not available if the DRD applies but the foreign tax credit can apply to dividend income not eligible for the DRD.

Participation exemption: There is no participation exemption but see “Taxation of dividends,” above.

Holding company regime: Holding companies are regulated under the Monopoly Regulation and Fair Trade Act.

Incentives: Various types of tax credits and exemptions are available, such as an integrated investment tax credit, research and development tax credit, SME tax exemption, etc., provided the requirements in the Tax Incentive Limitation Law are met.

Other: Under a special COVID-19 relief measure, a company that starts a tax-exempt business in a designated disaster area at any time until 2025 may benefit from a 100% or 50% corporate income tax exemption, subject to certain conditions.

Compliance for corporations

Tax year: A company’s tax year is its accounting period as specified in the articles of incorporation. This normally is a 12-month period. The tax year cannot exceed 12 months.

Consolidated returns: A consolidated return system is available for a parent company and its 90% directly or indirectly owned domestic subsidiaries (100% prior to 1 January 2024).

Filing and payment: Korea operates a self-assessment system. If the business year is longer than six months, advance tax must be paid for the first six-month period of the business year, based on 50% of the previous year’s tax liability or the actual financial performance for the six-month period. However, in the case of companies within business groups subject to disclosure under the Monopoly Regulation and Fair Trade Act, the latter method should be applied. Filing and payment of advance tax must be made within two months after the first six-month period (however, filing and payment requirements are waived for SMEs if 50% of the previous year’s tax liability was less than KRW 500,000). Companies must file a year-end income tax return within three months (four months for companies filing a consolidated tax return) after the end of a fiscal year and attach the balance sheet, income statement, statement of appropriation of retained earnings (or statement of disposition of deficit), and other relevant documents. A branch of a foreign corporation may be granted an extension of time to file its tax return in certain cases. Domestic companies subject to mandatory external audit may be granted a one-month extension for filing in certain cases.

Penalties: Penalties and interest may be imposed for late filing or failure to file a return and for the understatement of taxable income.

Rulings: The tax authorities may issue a private tax ruling in response to a taxpayer’s inquiry as to the interpretation/application of the tax law. An advance ruling system also is in place.

Individual taxation

Rates		
Individual income tax rate	Taxable income (KRW)	Rate (not including local surtax)
	Up to 14 million	6%
	Over 14 million up to 50 million	15%
	Over 50 million up to 88 million	24%
	Over 88 million up to 150 million	35%
	Over 150 million up to 300 million	38%
	Over 300 million up to 500 million	40%
	Over 500 million up to 1 billion	42%

	Over 1 billion	45%
Capital gains tax rate		Varies

Residence: An individual who has a domicile or place of residence in Korea for at least 183 days during the tax year generally is deemed to be resident in Korea. Individuals normally are considered resident upon arrival in Korea if their occupation generally would require them to reside in Korea for 183 days or more, or if their family accompanies them to Korea and the individuals have substantial assets (e.g., household property) in Korea.

Basis: Residents generally are subject to tax on worldwide income. However, with respect to foreign-source income, short-term resident foreigners whose total period in Korea does not exceed five out of the past 10 years are taxed only on foreign-source income paid in or remitted to Korea. Other nonresidents are taxed only on Korean-source income.

Taxable income: Taxable income comprises wages and salaries, dividends, interest income, rental income, business income, pension income, severance income, and other income.

Rates: Progressive rates ranging from 6% to 45% apply (from 6.6% to 49.5%, including the 10% local surtax).

Capital gains: Capital gains are taxed separately, with the rate depending on the type of asset, holding period, etc.

Deductions and allowances: Various deductions, allowances, and credits are permitted, including an earned income deduction, credits for qualifying medical expenses, certain educational expenses, certain charitable donations, etc.

Foreign tax relief: A Korean resident subject to tax in Korea and overseas is entitled to a foreign tax credit for foreign tax paid in respect of income earned overseas. The credit is limited to the amount of tax payable in Korea on the foreign-source income.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: No provisions exist for married couples to file a joint return.

Filing and payment: Residents generally are required to file an individual income tax return and pay the tax due on such income before 31 May of the following year or before their permanent departure from Korea. A taxpayer who receives only salary or severance income may not be required to file a return, since employers are required to withhold income tax at source on such income on a monthly basis and finalize the employee's tax liability in February of the following calendar year.

Penalties: Penalties and interest may be imposed for late filing or failure to file a return and for the understatement of taxable income.

Rulings: The tax authorities may issue a private tax ruling in response to a taxpayer's inquiry as to the interpretation/application of the tax law. An advance ruling system also is in place.

Withholding tax

Rates (not including 10% local surtax)				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	14%	20%	20%
Interest	14%/25%	14%/25%	14%/20%	14%/20%

Royalties	0%	Varies	20%	20%
------------------	----	--------	-----	-----

Dividends: No withholding tax is imposed on dividends paid to a resident company. Dividends paid to a resident individual are subject to a 14% withholding tax (15.4% including the local surtax). Dividends paid to a nonresident company or individual are subject to a 20% withholding tax (22% including the local surtax). The rate for nonresidents may be reduced under an applicable tax treaty, although withholding at the domestic rate rather than the treaty rate may be required for certain payments to jurisdictions regarded as tax havens.

Interest: Interest on a loan, other than a loan obtained from a financial institution, paid to a resident company or individual is subject to a 25% withholding tax (27.5% including the local surtax); the rate is 20% (22% including the local surtax) if paid to a nonresident company or individual. Interest on bonds and loans obtained from financial institutions is subject to a 14% withholding tax (15.4% including the local surtax) for both residents and nonresidents. The rate for nonresidents may be reduced under an applicable tax treaty, although withholding at the domestic rate rather than the treaty rate may be required for certain payments to jurisdictions regarded as tax havens.

Royalties: No withholding tax is imposed on royalties paid to a resident company. The domestic individual income tax law does not specifically cover the treatment of income from royalties, so royalties paid to resident individuals are subject to withholding tax at various rates, depending on the nature of the income (business income or other income; for other income, the type of rights (e.g., a copyright, know-how) also is relevant). Royalties paid to a nonresident company or individual are subject to a 20% withholding tax (22% including the local surtax). The rate for nonresidents may be reduced under an applicable tax treaty, although withholding at the domestic rate rather than treaty rate may be required for certain payments to jurisdictions regarded as tax havens.

Fees for technical services: No withholding tax is imposed on fees for technical services paid to a resident company. The domestic individual income tax law does not specifically cover the treatment of income from fees for technical services, so fees paid to resident individuals are subject to withholding tax at various rates depending on the nature of the income (business income, salary income, or other income). Income from services rendered by a nonresident company or individual in Korea generally is classified as personal services income and subject to a 20% withholding tax (22% including the local surtax). Technical service fees for any transfer of technical information or know-how may be classified as a royalty. In this case, the rate for nonresidents may be reduced under an applicable tax treaty, although withholding at the domestic rate rather than the treaty rate may be required for certain payments to jurisdictions regarded as tax havens.

Branch remittance tax: In general, there is no branch remittance tax. However, a branch tax ranging from 2% to 15% of after-tax profits less deemed reinvested capital may be imposed if a tax treaty between Korea and the country in which the branch's head office is resident allows Korea to impose the branch tax.

Anti-avoidance rules

Transfer pricing: Transactions with foreign related parties must be made on arm's length terms. The following transfer pricing-related information must be disclosed within six months after the fiscal year end, unless the transaction amounts with foreign related parties are within a certain threshold amount: (i) a report on the selected transfer pricing method and the reason for its selection, (ii) a schedule of the taxpayer's international transactions with foreign related parties, and (iii) a summary income statement for foreign related parties.

Resident companies and permanent establishments of a foreign company that have annual sales of more than KRW 100 billion and a transaction volume with foreign related parties of more than KRW 50 billion per year are required to submit additional transfer pricing documentation (i.e., a comprehensive report on cross-border transactions, including a master

file and a local file), which provides organization/management information, cross-border transaction information, and various business/intangible asset/financial/tax information, etc.

In addition, Korean tax law requires country-by-country (CbC) reporting and the CbC report must be submitted within 12 months of the fiscal year end.

Both unilateral and bilateral advance pricing agreements are available.

Interest deduction limitations: Where a foreign-invested company borrows from a foreign controlling shareholder (FCS) or a third party with a guarantee from the FCS, and the borrowing exceeds 200% (600% for financial companies) of the borrower's equity (or contributed capital if greater than equity), the interest expense on the debt exceeding 200% (600%) of the borrower's equity (or contributed capital) is not deductible.

Deductions of interest expense on borrowings from an FCS are limited to 30% of adjusted taxable income. When applying this rule alongside the above interest deduction limitation rule, a Korean company is required to apply the rule that results in the lower interest deduction.

Controlled foreign companies: Where a Korean resident owns 10% or more of the issued shares in a foreign company and the average effective income tax rate of the foreign company for the most recent three consecutive years is 16.8% or less for fiscal years beginning on or after 1 January 2023, the Korean resident is deemed to have received a dividend equal to the foreign company's "deemed distributable retained earnings" multiplied by the Korean resident's shareholding ratio, even though there has been no actual distribution of such retained earnings to the Korean resident.

Anti-hybrid rules: In the case of cross-border transactions involving hybrid financial instruments, an expense is deductible in Korea only if the corresponding income is taxed in the other jurisdiction.

Economic substance requirements: There are no economic substance requirements specified in the current tax law.

Disclosure requirements: See "Transfer pricing," above.

Exit tax: Exit tax applies to tax resident individuals permanently leaving Korea who (i) have been resident in Korea for at least five out of the previous 10 years, and (ii) are major shareholders of a Korean company. If exit tax applies, the individual is deemed to have disposed of the relevant shares and the deemed gain is subject to capital gains tax. The tax payment can be deferred for five years if a tax agent is appointed or collateral is provided. No exit tax applies for corporations.

General anti-avoidance rule: The tax authorities are empowered to make adjustments to the pricing of transactions between related parties to reflect the arm's length price.

Other: The substance-over-form principle applies to transactions between Korean and foreign entities. The principle is applied in the case of treaty shopping.

Value added tax

Rates	
Standard rate	10%
Reduced rate	0%

Taxable transactions: VAT is imposed on the supply of goods and the provision of services. VAT applies to foreign suppliers that provide electronic services (e.g., games, audio or video files, software, activated through mobile communication devices or computers) to persons (other than tax-registered businesses) in Korea using information

communication networks. The scope of electronic services also includes cloud computing, advertising services, and other “agency services” provided to allow a person to use an asset located in Korea (e.g., a residential property).

Rates: The standard VAT rate is 10%. A zero rate applies to exports, services rendered outside Korea, etc.

Registration: All domestic businesses supplying taxable goods or services must register with the tax authorities for VAT purposes. Foreign suppliers that provide electronic services via information communication networks should access the National Tax Service (NTS) website and apply for simplified registration of the business with the NTS.

Filing and payment: Filing and payment generally are made on a quarterly basis, but monthly filing is permitted for early VAT refunds if the goods or services provided by the business are zero-rated for VAT purposes.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: Employers and employees must make social security contributions (i.e., national pension, medical insurance, unemployment insurance, and industrial injury compensation insurance) to the relevant social security authorities. The social security contribution rates vary depending upon the number of employees and the industry.

Payroll tax: A company must withhold taxes on salary paid to its employees.

Capital duty: A capital registration tax of 0.48%, including the local surtax, is imposed when a company registers its incorporation or capital increase with the court registry. The capital registration tax rate for a company incorporated in the Seoul Metropolitan Area triples to 1.44%.

Real property tax: A company or individual that owns land, buildings, ships, and/or aircraft at a certain assessment date is subject to property tax on such assets. The tax rates range from 0.1% to 4% depending on the type of property. A company or individual that owns real estate, such as land or residential buildings, is subject to the comprehensive real estate tax in addition to the local property tax.

Transfer tax: Securities transaction tax is imposed on the transferor of shares at 0.35% of the share transfer price. For listed share transfers, the rate is 0.15% from 1 January through 31 December 2025. In case of transfers of shares listed on the Korea New Exchange (KONEX), the rate is 0.1%.

Stamp duty: Stamp tax is imposed on agreements relating to the creation, transfer, or alteration of rights.

Net wealth/net worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: Inheritance tax is imposed on the beneficiary at progressive rates up to 50%.

Other: A company acquiring real estate, motor vehicles, heavy equipment, and certain other items must pay acquisition tax, generally at 4.6%, including the local surtax.

Tax treaties: Korea has concluded more than 90 tax treaties. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI) entered into force for Korea on 1 September 2020.

For further information on Korea’s tax treaty network, visit [Deloitte International Tax Source](#).

Tax authorities: National Tax Service

Contact us:

Young Pil Kim

youngpkim@deloitte.com

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (DTTL), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our people deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society, and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte's approximately 457,000 people worldwide make an impact that matters at www.deloitte.com.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication.

© 2025. For information, contact Deloitte Global.