

Korea

1. Government requirements

Registration requirements

Registration with tax office: As long as the entity is registered with the tax office for its establishment, no further registration for payroll is specifically required.

Registration with social security agencies: At the time of first hire, an employer is required to register with the social security agencies for the following social security programs:

➤ National Pension Plan

Under the National Pension Law, a company with at least one employee will be required to join the National Pension Plan. The contribution of 9% of payroll will be shared equally (4.5% by the employer and 4.5% by the employee). The cap on the monthly salary income, which becomes the basis for the insurance premium is KRW5,240,000 (effective from 1 July 2021). The cap amount is changed every July.

➤ National Medical Insurance Plan

Under the National Medical Insurance Law, a company with at least one employee is required to join the National Medical Insurance Plan.

- i. National Medical Insurance: The contribution rate for National Medical Insurance is 6.86% in 2021. (3.43% per employee and employer) and the insurance premiums are determined based on the employee's taxable salary income. The cap on the monthly taxable salary income, which becomes the basis for the insurance premium, is KRW102,739,068 for 2021.
- ii. Medical Care Expense Insurance: The contributing amount for Medical Care Expense Insurance in 2021 is 11.52% of the National Medical Insurance and is shared equally by an employee and employer.

➤ Worker's Accident Compensation Plan

Under the Worker's Accident Compensation Law, a company with at least one employee, including foreigners if their salaries are paid or borne by the Korean entity, is required to join the Worker's Accident Compensation Plan and pay the premium on a monthly basis. The premium is entirely borne by the employer and is deductible for corporate tax purposes. The premium rate for 2021 ranges from 0.7% to 18.6% of an employee's salary depending on the type of industry.

➤ Unemployment Insurance Plan

A company with at least one employee is required to make contributions to the Unemployment Insurance Plan. The following three types of premiums must be paid on an annual basis:

- Unemployment insurance premium of 1.6% of an employee's salary, which is shared equally between the employer and the employee
- Employment security and development premiums of 0.25% to 0.85% of an employee's salary, which is borne entirely by the employer.

Ongoing compliance requirements

A monthly withholding tax return (withholding of personal income taxes on the company's payroll — payroll income from a local employer) must be filed with the district tax office by the tenth day of the following month and the taxes withheld must be paid to either the district tax office or a bank designated as a national treasury agent. In addition, a year-end payroll

withholding tax return needs to be prepared to make necessary adjustments to the withholding taxes that were reported during the year.

2. Pension requirements

Registration requirements

A National Pension is filed/proceeded together with other social security requirements as part of four kinds of Social Security Compliance - please refer to section 1.

Ongoing compliance requirements

A National Pension is filed/processed together with other social security requirements as part of four kinds of Social Security Compliance - please refer to section 1.

3. Employment obligations

An employer is required to comply with the Korean Labor Standards Act, which stipulates various requirements in hiring and maintaining its employees.

Details of obligations include and not limited to:

- Minimum 15 days of leave per year
- Mandatory severance payment when exceeding one year of employment
- Minimum one month notice

4. Payroll requirements

Payroll requirements are also controlled by the Korean Labor Standards Act. No specific guidance for payslips or payment frequency, however, in general practice, payslips are released to employees, and payment frequency is once per month.

5. Banking requirements related to payroll

There is no specific control process for payment. In practice, the payment would be processed as per individual agreement through employment contract.