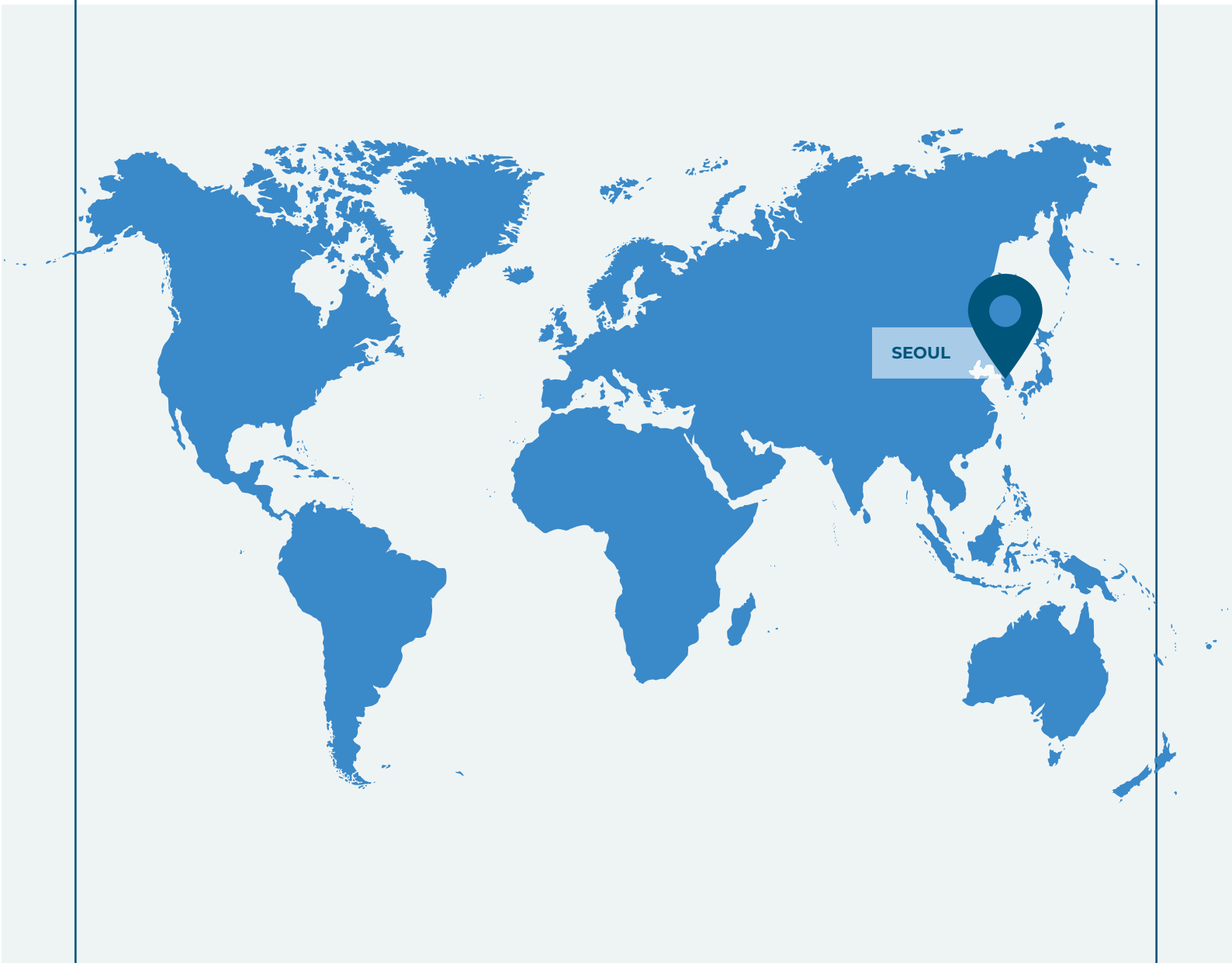


# DOING BUSINESS IN KOREA



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**INVICTUS**

## SETTING UP A COMPANY IN KOREA

There are three ways by which foreigners (foreign corporations) can enter Korea for business purposes: by establishing a local corporation, a local branch, or a liaison office.

Category	Foreign-invested company	Domestic branch of a foreign company
Form of entry	Local corporation	Branch and liaison office
Governing law	Foreign Investment Promotion Act	Foreign Exchange Transactions Act
Type of corporation	Domestic corporation	Foreign corporation
Identity	The foreign investor and foreign-invested company are separate entities (independent accounting & settlement)	The headquarter and branch are a single entity (consolidated accounting & settlement)
Delegated agency to process notification and grant permission	KOTRA (Invest KOREA) or foreign exchange bank	Designated foreign exchange bank Ministry of Strategy and Finance
Minimum (maximum) investment amount	100 million won or more per case, no upper limit	No limit on the investment amount
Scope of tax obligations	Tax obligations for all domestic and overseas income	Tax obligations for income from domestic sources only

## ACCOUNTING AND AUDIT IN KOREA

### Accounting Standards

Listed entries in Korea shall prepare statutory financial statement in accordance with K-IFRS, while non-listed entities may elect to do so voluntarily. Korea adopted IFRS standards issued by IASB Board without modifications. Entities electing not to prepare financial statements in accordance with K-IFRS shall prepare financial statements in accordance with K-GAAP.

### Companies Subject to External Audit

Each of the following companies shall prepare financial statements and undergo an audit performed by an external auditor who is independent of the company (the auditor of the financial statements and the auditor of the consolidated financial statements shall be the same person; hereinafter the same shall apply):

- 1) A stock-listed corporation;
- 2) A company that intends to be a stock-listed corporation in the relevant business year or the following business year;
- 3) Any other company that meets the standards prescribed by Presidential Decree in terms of assets, liabilities, number

of employees or sales, as at the end of the immediately preceding business year.

Companies which don't meet two or more of the following factors are subjected to external audit. Otherwise the exceptions are companies which meet three or more of the following factors.

- They have total assets less than KRW 12 billion in previous financial year
- They have total liabilities less than KRW 7 billion in previous financial year
- They have revenues less than KRW 10 billion in previous financial year
- They employed less than 100 people in the previous financial year end

However, entities with total assets or revenues over KRW 50 billion are subject to external audit regardless of whether they meet more than three of the above factors.



## TAXES IN KOREA

### 1. Corporate Income Tax

A company should file corporate tax returns to the tax office with jurisdiction over the company headquarters within three months of the last day of the month in which the last day of the business year belongs.

Tax Base	Tax Rate*
Less than KRW 200 million	9% of the tax base
In excess of KRW 200 million and less than KRW 20 billion	KRW 18 million + the amount exceeding KRW 200 million x 19%
In excess of KRW 20 billion and less than KRW 300 billion	KRW 3.78 billion + the amount exceeding 20 billion won x 21%
In excess of KRW 300 billion	KRW 62.58 billion + the amount exceeding 300 billion won x 24%

\* Before applying the local income tax (10% of the corporate income tax rate)

### 2. Value Added Tax

The taxable period for VAT is six months, which is divided into three-month periods. Therefore, businesses should file and pay VAT four times a year.

### 3. Withholding Taxes

Withholding tax returns should be filed and paid to the district tax office within the 10th day of the month after the month in which taxes were withheld.

Withholding methods for Wage

When wage (including bonus) is paid every month, tax is withheld based on the table for simplified tax amounts. In February of the following year, employees submit documentary evidence for income deduction for year-end tax settlement.



**WE TAKE YOUR BUSINESS  
PERSONALLY.**



**SCS INVICTUS**

10F, Eunhaeng-ro 30, Yeongdeungpo-gu, Seoul

+82 2 783 5124

[jmlee@scsglobal.co.kr](mailto:jmlee@scsglobal.co.kr)

[www.scsglobal.co.kr](http://www.scsglobal.co.kr)