

[Contribution] National Tax Service efforts to assist foreign workers with year-end tax settlement

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Last year, BTS, the Korean boy band group, brought a K-pop phenomenon to the world as the group ranked top on the U.S.' Billboard Hot 100 Chart. In recent years, hallyu, the Korean Wave initiated by K-drama and K-Pop, has boosted interests and attraction toward Korea, bringing more and more foreign tourists and foreign workers here.

Statistics published by the Ministry of Justice show that 17.8 million foreigners visited Korea in 2019 and the number of those staying topped 2.5 million. Although this latter number includes temporary sojourners for travel or language study, those who stay seeking jobs in language tutoring or the service industries amounted to around 560,000. Some 460,000 are staying with their families.

Foreign workers pay taxes just as Koreans do as long as they earn income in Korea. If a foreigner is an individual business owner, the person is required to file an annual income tax return in May. On the other hand, if a foreigner is employed by a company, the year-end tax settlement has to be filed through the company. In 2019, the number of individual foreign business owners that filed their annual income tax returns was 120,000, while 580,000 foreign employees filed year-end tax settlements.



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The year-end tax settlement is a process whereby the accurate taxable income amount is calculated by reviewing annual income statements. The amount is settled after subtracting deductibles, including education expenses, medical expenses and credit card payment deductions, among others under the relevant tax laws.

In 2020, 580,000 foreign workers settled their year-end taxes and reported a combined 904.3 billion won (\$810 million) as their income. These figures represent 3.1 percent of the total taxpayers and 2.2 percent of the entire income taxes paid in Korea. By nationality, over one-third of these foreign worker taxpayers, or 36 percent, were Chinese (210,000), followed by Vietnamese (46,000).

The National Tax Service (NTS) aims to assist the growing number of foreign taxpayers via a variety of tailored services to promote convenience in year-end tax settlements.

The dual-language "Guide to Year-end Tax Settlement for Foreigners" is available in Korean and English on the NTS' English website. It seeks to improve user understanding of the service and an automated calculation program allows foreign workers to estimate with ease their final year-end tax to be settled. Taxpayers who are not familiar with using the Internet may call the English hotline at 1588-0560. Not only that, the NTS opened help desks for foreigners at 128 tax offices nationwide, where they can walk in for a consultation regarding tax issues.

Despite such efforts made by the tax authority, taxpayers from China, Vietnam and many other non-English-speaking countries, where neither Korean nor English is their native language, have faced challenges in handling tax matters.

To cope with this, the NTS posted, "Year-end Tax Settlement Manual for Foreigners," in Chinese and Vietnamese on its English website. Starting from this year, the "Guide to the Income Reduction or Exemption for Employees of SMEs" was also published for user convenience for non-English-speaking employees.

As in-person contact is to be avoided with the spread of COVID-19, the NTS produced a three-part English series

of “The Year-end Tax Settlement for Foreign Workers” on the NTS YouTube channel for the first time. From the basic concepts and deductions of the service, to credit card and other deductions, an NTS tax expert and a YouTuber together deliver information on a range of topics that foreign taxpayers must know. Watching the two having a conversation in English will give clear and easy-to-understand information on the year-end process, helping many viewers get to know the service better.

The tax authority has also improved the tax service to grant greater tax benefits to salaried foreign workers long subject to relatively stricter rules compared to Koreans. For example, foreigners will be able to have mortgage and monthly rent payments recognized as deductibles, after the NTS request for a law revision was granted. It removed a clause under which only Koreans were eligible to seek the benefit. The law will be applied to year-end settlement to be finalized next year.

Based on a survey of foreign workers and their employers, the NTS will continue to make strenuous efforts to provide helpful tax services for foreign employees in Korea.

Korea is experiencing a rapid decline of economic workforce due to its low birth rate and ageing population, whereas the number of foreign salaried workers is steadily growing. This has led to a gradual increase in economic contributions by foreigners amid overall rapid labor market structural changes.

The NTS will continue to strengthen tax compliance and ease the administrative burden for foreign workers, thereby helping them better adapt to Korea's tax rules and feel valued for their hard work and economic contributions to the country.

The writer is NTS vice commissioner.

Tax reports can be filed via the NTS English Website. For more information:

The NTS English Website <https://www.nts.go.kr/english/main.do>

The NTS English YouTube Channel

The year-end tax settlement for foreign workers chapter.1

