MERCER
MAKE TOMORROW, TODAY

LAW & POLICY GROUP

GRIST

SOUTH KOREA PROPOSES PRIVATE PENSION TAXATION CHANGES

By Mercer's Celine Lee, Fiona Webster and Stephanie Rosseau
4 Sep 2019

The taxation of private pensions in South Korea would change under a bill (Korean) awaiting approval by the National Assembly but expected to take effect in February 2020.

HIGHLIGHTS

- A lower tax ceiling for executives' retirement income would treat amounts exceeding the ceiling as earned income subject to a higher income tax rate.

- A tax credit would apply to individual savings account (ISA) deposits transferred to a pension account. An ISA deposit could be transferred on its expiration to a pension account, even if the amount exceeds the annual pension contribution cap (currently KRW 18 million). The tax credit would equal 10% of the transferred amount (up to KRW 3 million), provided that the transfer takes place within 60 days after the ISA's expiration.

- Individuals aged 50 years or older who earn up to KRW 120 million will receive an expanded tax credit on pension savings up to KRW 6 million (increased from KRW 4 million) or, if their individual pensions account is included, up to KRW 9 million (increased from KRW 7 million).

- A reduced tax rate will apply to retirement income held as an annuity exceeding 10 years. For income withdrawn earlier than 10 years, the tax rate remains unchanged.

RELATED RESOURCES

- Tax Amendment Bill (Korean) (Ministry of Economy and Finance, 25 Jul 2019)

Note: Mercer is not engaged in the practice of law, accounting or medicine. Any commentary in this article does not constitute and is not a substitute for legal, tax or medical advice. Readers of this article should consult a legal, tax or medical expert for advice on those matters.

MARSH & McLENNAN COMPANIES