Tax Incentives for Foreign Engineers

Experts from the Investment Consulting Center tackle your frequently asked questions, one inquiry at a time

Q. Are foreign engineers eligible for earned income tax reduction or exemption?
A. For a foreign engineer’s earned income incurred from the first day of providing service to a Korean national in Korea to the month on which the second year of such date belongs, a 50 percent reduction of income tax is granted.

Additional information
- Earned income tax reduction for foreign engineers’
  ① A foreign engineer (as prescribed by Article 16 of the Enforcement Decree of the Restriction of Special Taxation Act) employed by a Korean national in Korea is eligible for earned income tax reduction equal to 50/100 of the tax amount from the first day of providing service (on or before Dec. 31, 2014) to the month on which the second year of such date belongs.
  ② In the case that a foreign engineer provides high technology to a foreign-invested company under a technology introduction contract (as prescribed by the Foreign Investment Promotion Act) and receives earned income in return, an amount equal to 50/100 of the earned income tax shall be reduced for income incurred from the date of providing service (on or before Dec. 31, 2014) to the month on which the second year of such date belongs. In this case, the foreign-invested company should be engaged in a business eligible for reduction or exemption of corporate income tax, etc. in accordance with Article 121-2 (1) 1 of the Restriction of Special Taxation Act. Also, the technology should meet the conditions set forth in Article 116-2 (2) of the Enforcement Decree of the said act and should also fall under high technology granted eligibility for tax reduction/exemption by the Minister of Strategy and Finance.

- For reference: Special taxation for the earned income of foreign employees
  - The tax for foreign employees’ earned income paid on or before Dec. 31, 2014 may be equal to the amount calculated by multiplying his/her earned income by 17/100. In this case, the Income Tax Act and its provisions on income tax reduction and exemption shall not apply.

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1 Article 18 of the Restriction of Special Taxation Act
2 Article 18-2 of the Restriction of Special Taxation Act