

**Embargo:**

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## UPDATES TO 2020 TAX REVISION

The government announced its updates to the 2020 tax revision on January 6, 2021. Changes have been made as the economy needs a boost to get out of the pandemic slump, as well as there should be measures to ensure a more inclusive economy. Major changes are as follows.

### New proposal

- Provide an extra 10 percent income tax deduction of up to 1 million won for credit card spending: Applicable to the amount exceeding the previous year's by five percent or more
- Increase the tax reduction for rent cuts given to commercial property owners from 50 percent of the rent cut to 70 percent
- Temporarily expand the job creation tax incentive to companies which failed to retain jobs in 2020: The tax incentive will be given if jobs have increased from 2019
- Temporarily provide a 10 percent capital gains tax reduction for land transactions if it is used for public rental housing construction
- Work to introduce the national employment insurance: Require employers to report their wage payments every month, instead of every quarter or half, and for outsourcing jobs, every quarter, a change from every year

The new proposal is scheduled to be submitted to the National Assembly at the end of January 2021 after proceeding through the Cabinet Meeting.

### 2020 revision to enforcement decrees

- Expand the corporate investment tax deduction to almost all businesses except rental property businesses and clubs, as well as add 25 new technologies to the facilities investment tax deduction given to new technology commercialization
- Offer tax incentives for New Deal investment: A separately-taxed dividend income tax of nine percent for up to 200 million won of investment in New Deal infrastructure funds and a separately-taxed dividend income tax of 14 percent for up to 100 million won investment in mutual funds investing in New Deal projects
- Raise the tax deduction ceiling for corporate discretionary expenses and advertising expenses
- Include expenses paid for patent right research and analysis in SME R&D investment tax deduction
- Expand the new technology R&D tax reduction to 240 technologies, an increase from 223 technologies, including Digital and Green New Deal technologies and biohealth technologies
- Raise the simplified VAT ceiling to revenues up to 80 million won, an increase from 48 million won
- Expand the nontaxable overtime pay to telemarketers, sales persons and other service sector workers