

Reading Time: 2 minutes

South Korea is an economic powerhouse home to thriving companies such as Samsung and Hyundai. With a large, highly educated population, it is a great place to expand to if you want to tap into this workforce and participate in international trade. However, the country has some unique guidelines for setting up South Korea payroll that can make expansion difficult. Globalization Partners can remove this difficulty and help you start your business without needing to set up a subsidiary.

Taxation Rules for Payroll

Companies in South Korea are responsible for various taxes. The first 200 million won of your taxable income is subject to a 10% tax rate. Any income between 200 million and 20 billion won is taxed at 20%, and anything more than 20 billion won has a 22% tax rate. Companies must also pay a 10% local income surtax on all income before tax credit and exemptions.

South Korea uses a progressive income tax rate for employees that includes additional rates for local income tax. Employees are all part of a mandatory social security system and National Health Insurance (NHI), and both employees and employers contribute to the NHI at a rate that depends on the employee's salary.

South Korea Payroll Options

Companies can choose from four main South Korea payroll options when expanding:

- **Remote:** If you already run payroll from your parent company, you could add your South Korean employees to that payroll. However, the different sets of employees will fall under separate compliance standards.
- **Internal:** You can run payroll out of your subsidiary if you have the time and resources to hire HR staff. This option is best suited for larger companies that plan to maintain a strong presence in South Korea.
- **South Korea payroll processing company:** A local South Korea payroll processing company can help you outsource your payroll, but you will still be held liable for compliance issues.
- **Globalization Partners:** When you work with Globalization Partners for South Korea payroll outsourcing, we'll both take on the burden of compliance and run your payroll for you.

How to Set up South Korea Payroll

Before setting up your South Korea payroll, you'll need to establish a subsidiary in the country or choose a subsidiary alternative. Individuals will need a visa, and your company will have to decide which business structure is best for your expansion.

The steps to set up your payroll depend on what kind of structure you choose. Generally, you will need to register for the National Tax Information System, the Internet Registry Office, and local tax payments.

Necessary Entitlement and Termination Terms

It is best practice in South Korea to draft a written employment contract when hiring employees. You can include entitlement and termination terms in this contract such as notice periods and severance payments. In South Korea, employers must provide at least 30 days notice or pay the employee 30 days of their salary instead.

South Korea Payroll Processing Company

When you are ready to set up your South Korea payroll, choose Globalization Partners. Contact us today to learn more about our South Korea payroll outsourcing services.

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