



COVID-19 Government Support Measures for Businesses

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Support Measures for Businesses by Ministry of Economy and Finance (MOEF)

Source: KOTRA

Support Measures for Businesses by MOEF

The amendment bill to the Restriction of Special Taxation Act to support ailing business due to COVID-19 was presented at the National Assembly and passed on March 17, 2020.

Support Measures for Businesses by MOEF

1. Special Tax Reductions or Exemptions for SMEs (individual and corporate business entities) in Special Disaster Zones

- Special Disaster Zones: Daegu, Gyeongsan, Bonghwa and Cheongdo
- SMEs in Special Disaster Zones are entitled to apply increased tax credit rates for the whole year 2020.
 - ✓ Small sized enterprises (Annual sales less than KRW 1-12 billion depending on main business type) > 60% (instead of up to 30%)
 - ✓ Medium sized enterprises (Annual sales less than KRW 40-150 billion depending on main business type) > 30% (instead of up to 15%)
- The cap on tax credit/deduction is increased from KRW 100 million to KRW 200 million.
- The increased tax credit rates can be applied by the majority of business types but e.g. not bar business and real estate rental business (negative-listings).

Note: It is assumed that around 130,000 people will benefit through this plan, accumulated tax benefits are estimated to be more than KRW 340 billion.

Support Measures for Businesses by MOEF

2. Exemption of Simplified Taxable Persons from VAT Payment Obligations

- The amount to qualify as a Simplified Taxable Person was increased from annual turnover of KRW 30 million to KRW 48 million for the whole year of 2020. A simplified Taxable Person is exempted from VAT payment obligations.
- This can be applied by the majority of business types but i.e. not bar business and real estate rental business (negative-listings).

Note: It is assumed that around 170,000 people will benefit through this plan, accumulated tax benefits are estimated to be more than KRW 20 billion.

Support Measures for Businesses by MOEF

3. VAT Break for Individual Entrepreneurs

- The amount of VAT for individual entrepreneurs with sales of KRW 40 million or less in each 6 months VAT period (i.e. (i) 1 Jan – 30 June, and (ii) 1 July – 31 Dec) is reduced for the whole year 2020 to the level equal to simplified taxable person.
- Simplified calculation method: $\text{Sales} \times \text{rate by industry}^* \times 10\%$
 - * rate by industry ranges from 5 to 30%
- The simplified calculation method can be applied by the majority of business types but e.g. not bar business and real estate rental business (negative-listings).

Support Measures for Businesses by MOEF

4. Landlord's Voluntary Rent Reduction

A landlord who reduces or cuts the rent to its tenant(s) on a voluntarily basis, will be receiving a private income tax or corporate tax deduction equaling 50% of the rent reductions executed during period from January to June 2020.

5. Reduced Consumption Tax for the Purchase of Cars

- Consumption tax on motor vehicles reduced from 5% to 1.5% for all purchases during March and June 2020.
- The tax reduction will be capped at KRW 1.0 million; including education tax (KRW 0.3 million) and VAT (KRW 0.13 million) the cap is KRW 1.43 million.

Support Measures for Businesses by MOEF

6. Tax Deduction Rates for Personal Credit and Debit Card Spending

The tax deduction rate for personal credit and debit card spending has been doubled for the period from March to June 2020.

The amended deduction rates for March to June 2020:

- Credit card: 30% (instead of regular 15%)
- Debit card/cash receipt: 60% (instead of regular 30%)
- Spending in traditional market: 80% (instead of regular 40%)
- Spending on public transportation: 80% (instead of regular 40%)

Note: Taxpayer can deduct those amounts when (i) the spending was made with credit/debit card or cash receipt and (ii) the spend amount is over 25% of the gross pay of the employee. The deduction amount is subject to certain limits.

Support Measures for Businesses by MOEF

7. Entertainment Expenses Deductible from Tax Calculation

The amount of entertainment expenses included in deductible expenses is temporarily increased for 2020, in order to encourage sales from small merchants and SMEs

Amended rates for 2020:

- Sales of up to KRW 10 billion > 0.35% (instead of 0.30%)
- Sales of KRW 10-50 billion > 0.25% (instead of 0.20%)
- Sales of KRW 50 billion or more > 0.06% (instead of 0.03%)



Support Measures for Businesses by Ministry of Employment and Labor (MOEL)

Source: KOTRA

Support Measures for Businesses by MOEL

Increase of Employee Retention Subsidiary

The Employee retention subsidy is increased from 75% to 90% for the period from April to June 2020. The condition of “decrease in sales by 15%” is temporarily excluded so that all business in scope can apply.

Eligibility:

- Manufacturing: up to **500** employees
- Mining, construction, transportation, publishing/video, social service, science & technology, health: up to **300** employees
- Wholesale & retail, food, lodging, financial services, art, sports: up to **200** employees
- Other businesses: up to **100** employees

Employers need to submit an employment retention plan one day prior to its implementation; provide paid suspension or paid leave before applying for the subsidy. www.ei.go.kr / Employment & Welfare Plus Center (☎1350)



Contact

If you would like to know further details about how our services can benefit you and your company, please visit our website at www.ecck.eu.

