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United States Forces Korea  
Regulation 37-25

23 May 2011

Financial Administration

PAYROLL DEDUCTIONS FROM KOREAN NATIONAL EMPLOYEES

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**\*This regulation supersedes USFK Regulation 37-25, dated 6 May 1994.**

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**Summary.** This regulation assigns responsibilities and establishes policies and procedures for Korean National (KN) pay-related withholdings, deductions and direct deposits for applicable KN employees.

**Summary of Change.** This publication has been substantially changed. A full review of its contents is required.

**Applicability.** This regulation applies to all command, staff and subordinate elements of the following organizations that employ Korean nationals in the Republic of Korea: the United States Forces Korea (USFK), Army and Air Force Exchange Service (AAFES), Dragon Hill Lodge (DHL), USFK-affiliated Private Organizations (POs), or USFK invited contractors. This regulation also applies to the KN employees of those organizations including Appropriated Fund (APF), Non-Appropriated Fund (NAF), or Korean Service Corps (KSC) personnel. This regulation does not apply to personal-hire KN employees (see definition in the glossary).

**Supplementation.** Issue of further supplements to this regulation by subordinate commands is prohibited unless prior approval is obtained from the 175<sup>th</sup> Financial Management Center, (EANC-FMC-AP), Unit #15300, APO AP 96205-5300.

**Forms.** USFK forms are available at <http://www.usfk.mil/usfk/>.

**Records Management.** Records created as a result of processes prescribed by this regulation must be identified, maintained, and disposed of according to AR 25-400-2. Records titles and descriptions are available on the Army Records Management System website at <https://www.arims.army.mil>.

**Suggested Improvements.** The proponent of this regulation is the 175<sup>th</sup> Financial Management Center. Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) to the Director, 175<sup>th</sup> Financial Management Center, (EANC-FMC-AP), Unit #15300, APO AP 96205.

**Distribution.** Electronic Media Only (EMO).

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## **Chapter 1**

### **Introduction**

#### **1-1. Purpose**

This regulation assigns responsibilities and establishes policies and procedures for Korean National (KN) pay-related withholdings, deductions and direct deposits for the “applicable KN employees,” as defined in applicability.

#### **1-2. References**

Required and related publications are listed in appendix A.

#### **1-3. Explanation of Abbreviations and Terms.**

Abbreviations and terms used in this regulation are explained in the glossary.

#### **1-4. Responsibilities**

a. Commanders/Directors/Managers of entities that employ KN employees are responsible for ensuring the offices or personnel who perform their KN civilian personnel recruitment/placement functions and KN payroll functions comply with this regulation. These offices or personnel will hereinafter be referred to as “civilian personnel offices” or “KN payroll offices,” as appropriate.

b. The Director, 175<sup>th</sup> Financial Management Center (FMC) is responsible for the development and publication of this regulation.

c. The following United States Forces Korea (USFK) and 8<sup>th</sup> Army staff elements have specific responsibilities, as indicated.

(1) The Assistant Chief of Staff (ACofS), Acquisition Management monitors compliance with the provisions of this regulation by all invited contractors through the sponsoring agencies.

(2) The Civilian Personnel Director (CPD) is responsible for policy matters involving entitlement to compensation, benefits and leave for KN employees and final interpretation on the provisions prescribed in USFK Reg 690-1. CPD also serves as the USFK and 8<sup>th</sup> Army principal point of contact concerning Republic of Korea (ROK) social security and welfare programs (i.e., National Pension Plan (NPP), National Health Insurance Plan (NHIP), Long-Term Care Insurance Plan (LTCIP), Employment Insurance Plan (EIP), and Industrial Accident Compensation Insurance Plan (IACIP)).

d. KN payroll offices are responsible for processing the pay, benefits and leave entitlements of KN employees and ensuring those offices comply with all other applicable provisions of this regulation.

(1) Also, all KN payroll offices are responsible for ensuring the amounts for KN net pay, tax withholdings and allotments authorized by KN employees are in accordance with (IAW) this regulation; and deductions from KN employees’ pay to satisfy indebtedness due the United States are IAW reference #1 (all references are numbered and listed in appendix A).

(2) IAW reference #2, wages to be paid to KN employees are property of the U.S. Government and are not subject to attachment by a court or any government agency of the ROK.

e. Korean National Civilian Personnel Offices (CPOs) are responsible for ensuring they comply with all applicable provisions of this regulation.

f. All KN employees must comply with relevant portions of this regulation.

### **1-5. Policies**

All KN payroll certifying officers and employers having responsibility for processing the pay of KN employees are designated as withholding agents for Korean taxes and authorized allotments, which are to be withheld based on the following order of precedence.

a. The ROK Income Tax and Local Tax.

b. The ROK National Pension Plan (NPP).

c. The ROK National Health Insurance Plan (NHIP).

d. The ROK Long-Term Care Insurance Plan (LTCIP).

e. The ROK Employment Insurance Plan (EIP).

f. The ROK Industrial Accident Compensation Insurance Plan (IACIP).

g. Retirement Insurance Savings Installments.

h. Indebtedness due the United States.

i. Union Dues.

## **Chapter 2**

### **Direct Deposit of Net Pay**

#### **2-1. Authority**

Per reference #3, all KN employees are required to have their net pay deposited to their bank accounts via Electronic Fund Transfer (EFT).

#### **2-2. Authorized Form**

KN employees will complete USFK Forms 98EK-E (Statement of Bank Designation and Checking Account) to have their net pay sent to the designated financial organizations of their choice. KN employees will attach copies of their bank books to original USFK Forms 98EK-E to reflect their bank account numbers.

a. CPOs will instruct all newly-hired KN employees to complete USFK Forms 98EK-E during employees' in-processing, and forward the completed forms (including copies of employees' bank books) to the servicing payroll offices.

b. When KN employees change their banks and/or bank account numbers, the employees must complete new USFK Forms 98EK-E, and submit the forms along with copies of their bank books to the servicing payroll offices. The employees should not close their old bank accounts until they confirm that payroll payments have been credited to their new accounts.

### **2-3. Operating Instructions**

The instructions below are established for EFT payments to KN employees serviced by the 175<sup>th</sup> FMC KN Payroll Office. All other KN payroll offices will establish their own operating procedures relative to EFT payments for KN pay.

a. The 175<sup>th</sup> FMC KN Payroll Office will:

(1) Provide KN payroll vouchers and EFT file(s) to the responsible disbursing office not later than (NLT) 0900 hours on the day before the payment due date.

(2) Indicate payment due date, number of deposits, and total deposit amount on the voucher or transmittal sheet.

(3) Receive all payment reject information from the responsible disbursing office.

(4) Ensure KN employees have access to (or are provided) their complete earnings data before each established payday.

(5) Compare information on rejected transmissions with the information on the supporting documents. If rejected transmissions contain bank account number(s) or other information that is different from the supporting documents, promptly correct and retransmit to the Shin Han Bank via facsimile or other means. If rejected entries contain the same information as the supporting documents, contact affected employee(s) for correct information and retransmit to the Shin Han Bank for payroll processing.

(6) Update the KNPS Master database with correct information as needed to prevent future rejects.

(7) Coordinate with the responsible disbursing office when rejected data cannot be corrected on or before the employee's next payment due date (payday). In such a case, (i) the 175<sup>th</sup> FMC KN Payroll Office will submit a request for refund to the on-post Department of Defense (DOD) Community Bank, and prepare the required documents (i.e., DD Form 1131, Cash Collection Voucher; and SF 1049, Public Voucher for Refund), and (ii) the DOD Community Bank will issue a Credit Memo to support the accountability of the applicable DOD activity's bank balance.

(8) Treat payroll data as new input if the rejected payroll data is recredited.

(9) Notify the affected employee(s) with expected retransmission date when rejected items cannot be retransmitted immediately.

b. The disbursing office responsible for making payroll payments for KN employees serviced by the 175<sup>th</sup> FMC KN Payroll Office will:

(1) As soon as possible upon receipt of EFT file(s) from the 175<sup>th</sup> FMC KN Payroll Office but NLT 1400 hours on the day before the due date, transmit payroll information to the Shin Han Bank.

(2) Provide the Transmittal Sheet to the DOD Community Bank upon transmission of payroll information to the Shin Han Bank; and immediately thereafter, inform the DOD Community Bank telephonically of the date and time of the transmission.



(3) Receive the confirmed transmittal sheet from the DOD Community Bank. The bank will normally fax the confirmed transmittal sheet NLT 1600 hours on the day before the payment due date.

(4) Receive a Debit Memo for total deposits. This debit memo will be used as the supporting document for accounting and accountability of each applicable activity's bank balance.

(5) Receive by website all payment reject information from the Shin Han Bank. Payment reject information will normally be posted to that website between 1100 and 1400 hours on the payment due date.

## **Chapter 3 Withholding Taxes**

### **3-1. Authority**

The authority for the DOD to withhold funds for payments of applicable national and local taxes payable by KN employees is outlined under reference #4.

### **3-2. Responsibilities**

a. The certifying officers for each KN payroll office will:

(1) Withhold Korean income tax and local tax from the pay of serviced KN employees on either a monthly or four-week basis, as appropriate.

(2) Remit withheld national income tax to the account designated by the servicing area ROK National Tax Service (NTS) office NLT the 10th day of the month following the month in which the income tax is withheld.

(3) Remit withheld local tax to the account of the Yongsan District Office of Seoul City at the Yongsan Branch Office of the Woori Bank of Korea NLT the 10th day of the month following the month in which the local tax is withheld.

(4) Provide a copy of the completed annual Withholding Tax Statement for Earned Income to each serviced KN employee (or to his/her next-of-kin when appropriate) and the servicing area NTS office NLT the date specified each year by the NTS Guidance. Also, for each serviced KN employee separated from employment during the current tax year, provide a copy of the completed Withholding Tax Statement for Earned Income to the employee (or to his/her next-of-kin when appropriate) and the servicing area NTS office upon the employee's separation or NLT 30 days thereafter.

(5) Provide a copy of the completed annual Withholding Tax Statement for Retirement Income to each serviced KN employee (or to his/her next-of-kin when appropriate) and the servicing area NTS office NLT the date specified each year by the NTS guidance. Additionally, for each serviced KN employee separated from employment during the current tax year, provide a copy of the completed Withholding Tax Statement for Retirement Income to the employee (or to his/her next-of-kin when appropriate) and the servicing area NTS office upon the employee's separation or NLT 30 days thereafter.

**NOTE:** In the context of ROK tax law, retirement income and severance pay are synonymous.

(6) Maintain an individual pay record for each serviced KN employee throughout the current tax year for the final reconciliation of tax liability at the close of each tax year or upon separation.

(7) Prepare and issue two copies of a tax withholding certificate upon request by serviced KN employees. Each servicing payroll office will develop a format for tax withholding certificates.

(8) Notify each serviced KN employee before the end of each year that he/she will need to submit a copy of each claim for deductions/tax credits with the required supporting documents to arrive at their servicing payroll office prior to the year-end tax reconciliation.

b. All KN employees are responsible for preparation and submission of claims for authorized deductions and tax credits to their servicing payroll office in compliance with the provisions of this chapter.

### **3-3. Preparation of Forms**

All KN employees will prepare a copy of the applicable NTS form(s) listed below IAW instructions thereon and submit the form(s) together with prescribed supporting documents such as resident register, census register, and appropriate receipts.

a. Tax Form 37 (Report of Exemption & Deduction from Income/Report of Exemption & Deduction from Wage & Salary Income).

b. Tax Form 38 (Certificate of Disabled Dependent).

c. Tax Form 39 (Information on Temporarily Separated Dependent).

d. Tax Form 42 (1) (Certificate of Insurance Premium Payment).

e. Tax Form 43 (Statement of Medical Expenses).

f. Tax Form 44 (1) (Certificate of Education Expenses).

g. Tax Form 44 (3) (Certificate of Housing Fund Repayment).

h. Tax Form 44 (4) (Certificate of Interest Repayment of Long-Term Home Mortgage Loan).

i. Tax Form 45 (Statement of Donation Payment).

j. Tax Form 45 (2) (Receipt of Donation Payment).

k. Tax Form 74 (6) (Report for Deduction of Credit Card Usage).

### **3-4. Submission of Forms**

All KN employees will furnish their servicing payroll office a copy of the completed Tax Form 37 with the required supporting documents for determination of authorized income deductions and tax credits.

a. Initial submission. All new KN employees will submit a copy of the completed Tax Form 37 with the required supporting documents to the servicing payroll office through the servicing CPO on the first day of employment.

(1) The servicing CPO will then forward the Tax Form 37 and the required supporting documents with the completed Standard Form (SF) 50 to the servicing payroll office.

(2) That Tax Form 37 will be effective with the first payment of wages and remain in effect until year-end submission.

b. Year-end submission. All KN employees will submit the updated Tax Form 37 with the required supporting documents to arrive at the servicing payroll office prior to the final reconciliation of tax liability at the close of each tax year or upon separation during the current tax year.

(1) If KN employees have no changes in the status of personal deductions claimed on the previous Tax Form 37, they need not attach new copies of resident/census registers to the year-end submission.

(2) If KN employees have changes in the status of personal deductions claimed on previous Tax Form 37 which can be verified with the current documents filed at the payroll office, they need not attach new copies of resident/census registers to the year-end submission.

(3) If KN employees are transferred from the jurisdiction of other servicing payroll offices during the same tax year, they will attach a copy of Withholding Tax Statement for Earned Income issued by the previous employer to the year-end submission.

(4) If a KN employee has changes in allowable income deductions or tax credits subsequent to the year-end submission and prior to the close of the tax year, the employee must submit the updated Tax Form 37 with the required supporting documents to arrive at the servicing payroll office by the closing day designated by each servicing payroll officer in order to make necessary adjustments to year-end reconciliation.

c. Change in claims. When a KN employee has changes in the status of income deductions or tax credits claimed, the employee must submit the updated Tax Form 37 with the required supporting documents to the servicing payroll office at any time during the applicable tax year.

### **3-5. Determination of Earned Income Exemptions and Deductions**

Each KN payroll office will determine the amount of income deductions and tax credits based on the information on the most recent Tax Form 37 and the required supporting documents submitted by each KN employee.

a. If the number or amount of income deductions, or the amount of tax credits claimed by a KN employee is in excess of that entitled, the employee will be subject to penalties for perjury by the ROK Government.

b. Failure of a KN employee to submit the current Tax Form 37 with the required supporting documents will result in taxes being withheld with only a basic deduction for a single person. However, if the payroll office has another valid Tax Form 37 with supporting documents filed for the employee, the amount of the tax withholding will be based on the most recent records the employee provided to the servicing payroll office.

c. The servicing payroll office will maintain a file of Tax Forms 37 including the required supporting documents.

### **3-6. Earned Income Deductions**

For a resident having any earned income, the amount as prescribed in Article 47 of the ROK Income Tax Act (reference #5) shall be deducted from the employee's gross pay earned during the corresponding year.

### **3-7. Global Income Deductions**

For each KN employee, the servicing payroll office will deduct from the employee's taxable income any of the following global income deductions as applicable, in the priority order listed below. The applicable deductions will be determined based on the information on the most recent Tax Form 37 and the supporting documents submitted by each KN employee.

a. **Basic Deduction.** For a resident (limited to a natural person) having any global income, the basic deduction is calculated by multiplying the number of family members that fall under any of the subparagraphs outlined in Article 50 of the ROK Income Tax Act (reference #6) by the stipulated annual amount per capita. The resulting amount will be deducted from the resident's global income for the corresponding year.

b. **Additional Deduction Associated with Basic Deduction.** If a person subject to a basic deduction as prescribed in Article 50 of the ROK Income Tax Act (reference #6) also meets the criteria outlined in any of the subparagraphs in Article 51 of the ROK Income Tax Act (reference #7), the amount(s) stipulated in the applicable subparagraph(s) will also be deducted from the resident's global income for the corresponding year.

c. **Additional Deduction for Persons with More Than One Child.** If a resident with earned or business income (excluding income earned as a daily-paid worker) has two or more children subject to a basic deduction, the stipulated annual amount per capita IAW Article 51 (2) of the ROK Income Tax Act (reference #8) shall also be deducted from the resident's earned or business income for the corresponding year.

d. **Pension Insurance Premium Deduction.** During a tax year, if a resident with any global income has paid a pension insurance premium that falls under Article 51 (3) of the ROK Income Tax Act (reference #9) that pension insurance premium shall be fully deducted from the resident's global income for the corresponding year.

e. **Special Deduction.** The following items prescribed in Article 52 of the ROK Income Tax Act (reference #10) that are paid by a resident having any earned income (excluding income earned as a daily-paid worker) during a tax year, shall be deducted from the resident's earned income for the corresponding year.

- (1) Insurance Premiums.
- (2) Medical Expenses.
- (3) Education Expenses.
- (4) Housing Funds Deductions.
- (5) Donations.

f. Other Deductions. The following items prescribed by the applicable indicated tax acts that are paid by a resident having any earned income (excluding income earned as a daily-paid worker) during a tax year shall be deducted from the resident's earned income for the corresponding year.

(1) Pension Saving Deductions IAW Articles 86 and 86 (2) of the ROK Restriction of Special Taxation Act (reference #11).

(2) Credit Card Usage Deductions IAW Article 126 (2) of the ROK Restriction of Special Taxation Act (reference #12).

(3) Housing Saving Deductions IAW Article 87 of the ROK Restriction of Special Taxation Act (reference #13).

### **3-8. Income Subject to Withholding Tax**

Receipts of the following types of payments are taxable income and are subject to withholding Korean income tax IAW reference #14 and #15.

- a. Base pay.
- b. All bonuses.
- c. Severance pay.
- d. Overtime pay.
- e. Night shift differential pay.
- f. Holiday pay.
- g. Occupational premium.
- h. Terminal leave pay.
- i. Tuition assistance payments.
- j. Supervisory differential pay.
- k. Consolidated allowance payments.
- l. Benefits allowances.
- m. Cash awards.
- n. Payment-In-Kind (PIK) - except up to 100,000 Korean won per month for meal costs.
- o. Remote area allowance in excess of 200,000 Korean won per month.
- p. Relocation allowance payments received that are not supported by submitted receipts.

### **3-9. Income Not Subject to Withholding Tax**

Receipts of the following types of payments are non-taxable income and not subject to withholding Korean income tax IAW reference #14 and #15.

- a. Payment-In-Kind (PIK). Up to 100,000 Korean won per month for meal costs only.
- b. Remote Area Allowance. Up to 200,000 Korean won per month.
- c. Relocation Allowance Payments supported by submitted receipts.
- d. Uniform Allowance.
- e. Temporary Duty (TDY) per diem and expenses.
- f. Condolence Payments.
- g. Tuition Fees for the Employees.
- h. Employer's contribution for Social Security Insurance Plans.

### **3-10. Tax Credits**

Each KN payroll office will deduct the following tax credits, in the order listed below from the computed tax amount of each KN employee, based on the information on the most recent Tax Form 37 and the required supporting documents submitted by each employee.

- a. Earned Income Tax Credit. For a resident having any earned income, the amounts prescribed in reference #16 shall generally be deducted from the calculated global income tax amount on the earned income. **Exception:** In cases where the deducted tax exceeds the amount stipulated in reference #16, such excess amount shall be deemed as nonexistent.
- b. Tax Credit for Interest on Housing Loan Funds IAW reference #17.
- c. Tax Credit for Donations to Political Funds IAW reference #18.

### **3-11. Income Tax Rates**

The servicing payroll office will compute each serviced KN employee's income tax amount by applying the income tax rates prescribed in reference #19.

- a. Annual tax base, offset amounts, and tax rates. Periodically, the ROK National Tax Service (NTS) issues revised information on each applicable range of annual income and the related annual offset amounts and income tax rates. The annual tax base for each KN employee is equal to the employee's actual annual taxable earnings. For each employee, the applicable annual tax base, offset amount, and tax rate will be used when (i) computing income tax on taxable earned income at the close of each tax year for each current employee, (ii) upon an employee's separation during the current tax year, and (iii) when computing income tax on severance pay.
- b. Monthly tax base, offset amounts, and tax rates. The monthly tax base and monthly offset amount for each KN employee are obtained by dividing the employee's annual tax base and the related annual offset amount by 12. Each KN employee's applicable national tax rate will be IAW the applicable rates published by the ROK NTS. For each KN employee, the responsible KN payroll office will use the applicable methodologies outlined in paragraphs 3-12 and 3-13 below to compute the employee's applicable national and local income taxes.

c. Four-week tax base, offset amounts, and tax rates. The four-week tax base and four-week offset amount for each KN employee are obtained by dividing the employee's annual tax base and the related annual offset amount by 13. Each KN employee's applicable national tax rate will be IAW the applicable rates published by the ROK NTS. For each KN employee, the responsible KN payroll office will use the applicable methodologies outlined in paragraphs 3-12 and 3-13 below to compute the employee's applicable national and local income taxes.

### **3-12. Income Tax Formulas**

Each KN payroll office will use the methodologies described in paragraphs 3-12a through 3-12c in computing income taxes due for each of its serviced employees. Each time a KN employee is paid, the income tax due is computed based on his/her cumulative earnings during the applicable year, the corresponding income tax due and the income taxes already paid by the employee in the applicable year. Note that the taxable income applicable to any given year is based on the income earned in that year, regardless of when the related payments are made. In the computation of taxes, an amount less than W10 will be dropped. No tax will be withheld if the amount of tax due is less than W1,000.

a. Income tax formula for regular pay. Each time regular pay is paid to a KN employee, the responsible KN payroll office will use the following methodology to compute the related income tax to be withheld from the employee's pay.

- (1) The regular pay, less total deductions allowed for regular pay, equals the tax base.
- (2) The tax base, times the applicable tax rate (determined as outlined in paragraph 3-11 above), minus the offset amount, equals the computed tax amount.
- (3) The computed tax amount, less the total tax credits allowed, equals the income tax to be withheld for the just concluded pay period for regular pay.

b. Income tax formula for bonuses. Each time a bonus is paid to a KN employee, the responsible KN payroll office will use the following methodology to compute the related income tax to be withheld from the employee's pay.

- (1) The gross bonuses, plus the total regular pay earned during the preceding pay periods, divided by the number of pay periods, equal the average earned income per pay period.
- (2) The average earned income per pay period, less the average deductions allowed per pay period, equals the average tax base per pay period.
- (3) The average tax base per pay period, times the applicable tax rate (determined as outlined in paragraph 3-11 above), minus the average offset amount per pay period, equals the average computed tax amount per pay period.
- (4) The average computed tax amount per pay period, less the average total tax credits allowed per pay period, equals the average income tax due per pay period.
- (5) The average income tax due per pay period, times the number of pay periods, equals the adjusted income tax.

(6) The adjusted income tax, less total income taxes withheld during the preceding pay periods, equals the net income tax to be withheld when the pending bonus payment is made.

c. Income tax formula for per diem wages. The earned income deduction for each daily-paid worker will be computed IAW Articles 47, 59, 129 and 134 of the ROK Income Tax Act (reference #5 and #20). Specifically, each time per diem wages are paid to a KN employee, the responsible KN payroll office will use the following methodology to compute the related income tax to be withheld from the employee's pay.

(1) The gross per diem wages, less the corresponding daily income deductions, equals the tax base.

(2) The tax base, times the applicable tax rate, equals the net income tax to be withheld when the pending per diem payment is made.

### **3-13. Local Tax Rates**

Each time earned income or retirement income (a.k.a, "severance pay") is paid to a KN employee, the responsible KN payroll office will use the following methodology to compute the related local income tax to be withheld from the employee's pay.

a. Local tax rate. IAW reference #21, the servicing payroll office will compute the local tax amount by multiplying the local tax rates, times the related national income tax withheld.

b. Local tax formula. The national income tax withheld, times the local tax rate, equals the local tax.

### **3-14. National Tax Remittance**

Each month, each servicing KN payroll office will pay the national tax payment by a check for Korean won. Each check will be annotated with the words "For Income Tax" and will be deposited in the account of the servicing area tax office NLT the 10th day of the month following the month in which the income tax was withheld.

a. The check will be remitted to any bank maintaining the account of the servicing area tax office.

b. The National Tax Deposit Form will be used to deposit income tax remittance. A copy of the certified form will be obtained from the bank and kept by the servicing disbursing office as a record of payment.

c. The ROK Tax Form 21 (Summary of Withholding Income Tax) will be prepared in duplicate as required. The original of the completed form will be submitted to the servicing area tax office and the duplicate will be retained by the payroll office.

### **3-15. Local Tax Remittance**

Each month, each servicing KN payroll office will pay the local tax payment by a check for Korean won. Each check will be annotated with the words "For Local Tax" and will be remitted to the Yongsan Branch Bank of the Woori Bank of Korea, 243-8, 1-ka, Hangang-ro, Yongsan-ku, Seoul, Korea in the account of the Yongsan District office of the Seoul City office NLT the 10th day of the month following the month in which the income tax was withheld.



a. The local tax deposit form will be used in depositing the local tax remittance. A copy of the certified form will be obtained from the bank and kept in the payer office as a record of payment.

b. A copy of a summary of local tax withheld (which will include the place of employment, number of taxpayers, tax base, and the amount of local tax withheld for each respective city or county per pay period covering regular pay, bonuses, and severance pay), will be forwarded to the Yongsan District Office, Yongsan-ku, Seoul, Korea. The required format is provided at appendix B.

### **3-16. Accounting for Withheld Taxes**

The amount withheld each pay period for national income tax and local tax will be annotated on DD Form 592 (Payroll for Personal Services Certification and Summary).

a. The deposit fund account will be inserted in the ACCOUNTING CLASSIFICATION block of the DD Form 592. For KN employees of 8<sup>th</sup> Army Appropriated Fund (APF) activities, account 21X6129.0000 will be used to record the amount of income tax withheld and account 21X6129.0000 for local tax.

b. A separate SF 1049 for income tax and local tax withheld will be prepared for issuance with the check for Korean won to the ROK governmental authorities, if applicable.

### **3-17. Year-End (and “Upon Separation”) Reconciliation of Tax Liability**

Each KN payroll office will ensure they comply with the following requirements.

a. For each employee who remained on the payroll through the last workday of a year, the annual tax amount on the employee’s taxable earned income for that tax year will be recomputed prior to the final payment for that tax year’s earnings. Meanwhile, for each employee that was separated prior to the last workday of a year, the tax amount on the employee’s taxable earned income for that year will be computed prior to the final payment to the employee.

b. Determination factors. The reconciliation will be based on the total amount of taxable earned income at the close of each tax year or upon separation, the employee's withholding allowance certificate, and the claim documents for tax credits submitted by each employee.

c. ROK Tax Form 24 (1), Receipt of Tax Withholding for Earned Income. Three copies of the current ROK Tax Form 24 (1) will be prepared IAW the instructions of the ROK National Tax Service (NTS). The completed ROK Tax Form 24 (1) will be distributed as follows.

(1) The first copy will be furnished to each KN employee NLT the date specified each year by the ROK NTS Guidance. For each KN employee separated during the current tax year, the completed ROK Tax Form 24 (1) will be furnished to the employee upon separation or NLT 30 days thereafter.

(2) The second copy will be retained by the servicing payroll office for five (5) years after the related tax year.

(3) The third copy will be submitted to the servicing area NTS office NLT the date specified each year by the ROK NTS Guidance.

d. Net amount of tax due or refund. The net amount of tax due or to be refunded as determined by the subject tax reconciliations will be processed as follows.

(1) Refund to employee. If the total tax withholdings from earlier in the applicable year exceed the total annual tax to be paid by the employee, the excess will be refunded to the employee at a later date as negotiated between the NTS and the applicable payroll office.

(2) Tax due from reconciliation. If the amount of tax withholdings from earlier in the applicable year was less than the annual tax to be paid by the employee, the shortfall will be deducted from the employee's pay after the tax reconciliation is completed.

### **3-18. Reconciliation Formulas**

Related procedures for separated employee are outlined in paragraph 3-18c below. Each year as early as possible for the just concluded year and early enough to meet all related deadlines issued by the NTS, each KN payroll office will perform tax reconciliations to determine either the additional national and local income taxes to be withheld from (or to be refunded to) each serviced employee. This will be done IAW the following procedures for each serviced employee.

#### **a. Reconciliation for national income tax.**

(1) The gross taxable income, less the total necessary expense deductions allowed per tax year, equals the adjusted earned income.

(2) The adjusted earned income, less the total income deductions allowed per tax year (but not more than the amount of adjusted earned income), equals the tax base.

(3) The tax base, times the applicable annual tax rate (determined as outlined in paragraph 3-11 above), minus the offset amount (if applicable), equals the computed tax amount.

(4) The computed tax amount, less the total tax credits allowed per tax year, equals the gross annual income tax.

(5) The gross annual income tax, less the total income tax withheld by previous employer (if applicable), equals the annual income tax to be withheld by present employer.

(6) The annual income tax to be withheld by present employer, less the total income tax withheld by the present employer during the preceding pay periods of the applicable year, equals the net national income tax to be withheld or to be refunded at the year-end reconciliation or upon separation.

#### **b. Reconciliation for local income tax.**

(1) The gross annual income tax, times the local tax rate, equals the gross annual local tax.

(2) The gross annual local tax, less the total local tax withheld by previous employer (if applicable), equals the annual local tax to be withheld by present employer.

(3) The annual local tax to be withheld by present employer, less the total local tax withheld by present employer during the preceding pay periods, equals the net local tax to be withheld or to be refunded from year-end reconciliation.

c. Tax reconciliations for employee separations (excluding tax on severance pay). Note that each KN payroll office would also apply procedures similar to those outlined in paragraphs 3-18a and 3-18b above for each KN employee separated prior to the last pay period of a year when that

employee separation would involve the termination of services by the KN payroll office. The procedural differences are summarized below.

(1) The tax reconciliation would be based on the data for the applicable year through the last day of the subject employment (excluding the related severance payment).

(2) The related additional national and local taxes, if any, would be paid to the NTS and the local tax offices respectively NLT the 10th day of the month following the month the taxes were withheld from the employee's pay.

### **3-19. Computation of Tax on Severance Pay**

a. The annual tax rate will be used in computing income tax on each KN employee's severance pay. The following authorized deductions will be applied.

(1) Severance pay special deduction. An amount as prescribed in reference #22 shall first be deducted from the employee's gross severance pay.

(2) Severance pay deduction. This deduction amount will be determined based on the number of the employee's continuous service years. If an employee has less than one continuous service year, it will be rounded up to one year. An amount as prescribed in reference #23 shall be deducted from the employee's gross severance pay.

b. ROK Tax Form 24 (2), Receipt of Tax Withholding for Retirement Income. Three copies of the current ROK Tax Form 24 (1) will be prepared IAW the instructions of the ROK NTS. The completed ROK Tax Form 24 (2) will be distributed as follows.

(1) The first copy will be furnished to each KN employee within 30 days after payment or separation.

(2) The second copy will be retained by the servicing payroll office for five (5) years from the end of the related tax year.

(3) The third copy will be submitted to the servicing area tax office NLT the date specified each year by the ROK NTS Guidance.

### **3-20. Taxes on Severance Pay**

If a KN employee received severance pay more than twice during the same tax year, the severance pay deductions will be applied only once to the amount of severance pay earned during that tax year. The following procedures apply when a KN employee's separation would involve the termination of services by a particular KN payroll office. For each applicable severance payment, the servicing KN payroll office will perform a tax reconciliation to determine either the additional national and local income taxes to be withheld from (or to be refunded to) the employee in connection with the severance payment. This will be done IAW the following procedures for each applicable severance payment.

a. Income tax formula.

(1) The gross severance pay, less severance pay special deduction, plus severance pay deduction, equals the tax base.

(2) The tax base, less the applicable deductible amounts, as outlined in reference #24, equals the average annual tax base.

(3) The average annual tax base, multiplied by the annual tax rate less offset amount (if applicable), equals the average annual tax amount.

(4) The average annual tax amount, multiplied by the number of continuous service years, equals the computed tax amount.

(5) The computed tax amount, less savings tax credit (if applicable), equals the income tax on severance pay.

(6) The income tax on severance pay, less total income tax withheld by previous employer (if applicable), equals the net income tax to be withheld from severance pay.

b. Local tax formula on severance pay.

(1) The income tax, multiplied by local tax rate IAW reference #21, equals the local tax on severance pay.

(2) The local tax, less total local tax withheld by previous employer (if applicable), equals the net local tax to be withheld from severance pay.

### **3-21. Income Tax Table**

The simplified ROK income tax table will be obtained through the ROK NTS by each withholding agent (if required) and used to find the amount of income tax for employees paid on a monthly basis.

## **Chapter 4**

### **Korean National Pension Plan (KNPP)**

#### **4-1. Authority**

The authority for eligible KN employees (as defined in paragraph 4-2 below) to participate in the KNPP is contained in reference #25 and #26.

#### **4-2. Eligibility**

Employees at age 18 to 59 are eligible to participate in the KNPP except for the following employees: (i) temporary employees on appointments of less than one month, (ii) part-time employees working less than 60 hours, and (iii) personal-hire employees (see definition in the glossary).

#### **4-3. Responsibilities**

a. The servicing CPO will:

(1) Determine KNPP eligibility for each serviced KN employee. When in-processing an eligible new KN employee or when a formerly ineligible KN employee obtains KNPP eligibility, the servicing CPO will complete the KNPP forms IAW the instructions provided; and provide the original and one copy of the completed forms to the employee's servicing payroll office.

(2) Provide an original and one copy of the completed KNPP forms to the servicing payroll office for any individual separated from employment.

(3) When applicable, inform each losing and gaining KN payroll office when a KN employee is transferred from one entity to another, or when a KN employee is transferred from an APF activity to a NAF activity (or vice versa).

b. The servicing KN payroll office will:

(1) Ensure all information on the KNPP forms is correct, submit the original, completed forms to the National Pension Corporation (NPC) and retain copies of those documents in the payroll office.

(2) Ensure that beginning with the first pay period after a KN employee is enrolled in the KNPP, the payroll office deducts the appropriate amount of monthly KNPP premiums from the employee's pay and collects the matching monthly employer's KNPP contributions.

(3) Pay KNPP premiums based on monthly bills issued by the NPC and ensure those monthly insurance premiums are paid by the 10th calendar day of the following month.

(4) When applicable for any reporting month, provide the NPC a report of KN employee(s) who are in a non-pay status and/or reinstated to a pay status.

(5) For each KN employee who terminates his/her employment prior to reaching age 60, ensure the employee's last pension premium withholding is for the month the related Standard Form (SF) 50 (Notification of Personnel Action) indicates the employee terminated that employment. Otherwise, an employee's last pension premium withholding will be for the month he/she reaches age 60. **Exception:** If employee's 60th birthday (or last work day shown on SF 50) is the 1st day of the month, the employee's last pension premium withholding will be for the previous month. **Example #1:** If the employee's 60th birthday (or last work day shown on SF 50) is from 2 to 31 Jul, the last pension premium withholding for employee would be for the month of July (and be paid in August). **Example #2:** If the employee's 60th birthday (or last work day shown on SF 50) is 1 Jul, the last pension premium withholding for employee would be for the month of June.

#### 4-4. Premiums

a. The KNPP premium rates are established and announced based on the KNPP Act, or amendments thereto. Korean national payroll offices will apply any KNPP premium rate changes when they occur. When the rates are changed, CPD will issue a memorandum to announce the new rates and the effective date of the rate changes.

b. The following processes are followed annually, as applicable, to determine the fixed monthly KNPP premium to be paid for the ensuing 12-month period from July to June.

(1) For each employee who was serviced by one KN payroll office for all of the previous tax year and has not had a change in servicing KN payroll office, the employee's monthly KNPP premium is computed based on the employee's average monthly taxable earned income in the previous tax year and the National Pension Plan standard monthly wage and premium table.

(2) For all other employees, each KN payroll office will determine each employee's estimated monthly taxable earned income based on the employee's current step and grade. Then, the employee's monthly KNPP premium will be computed based on the employee's estimated average monthly taxable earned income and the National Pension Plan standard monthly wage and premium table.

## **Chapter 5**

### **National Health Insurance Plan (NHIP)**

#### **5-1. Authority**

The authority for eligible KN employees (as defined in paragraph 5-2 below) to participate in the NHIP is contained in reference #26 and #27.

#### **5-2. Eligibility**

Except as noted below, all KN employees are covered under the NHIP. **Exceptions:** The following employees are not eligible for the NHIP: (i) all KN employees on appointments of less than one month or who work less than 60 hours per month, and (ii) personal-hire employees (see definition in the glossary).

#### **5-3. Responsibilities**

a. The servicing CPO will:

(1) Determine NHIP eligibility for each serviced KN employee. When in-processing a new employee who is eligible for the NHIP or when a KN employee obtains NHIP eligibility, the CPO will annotate the employee's NHIP eligibility in the REMARKS section of the SF 50 and submit the completed SF 50 to the servicing payroll office.

(2) Prepare and forward the applicable National Health Insurance Corporation (NHIC) form to the NHIC for each employee who has new or lost NHIP eligibility. When a KN employee is transferred from one entity to another, or when a KN employee is transferred from an APF activity to a NAF activity (or vice versa), the gaining CPO will prepare reports for the new appointment, and the losing CPO will prepare reports for the termination of employment.

b. The servicing KN payroll office will:

(1) Ensure that beginning with the first pay period after each KN employee is enrolled in the NHIP, the payroll office deducts the appropriate amount of monthly NHIP premiums from the employee's pay and collects the matching monthly employer's NHIP contributions.

(2) Pay the employee and employer NHIP contributions for each month no later than the 25th calendar day of the following month by depositing those funds into the designated bank account of the NHIC.

(3) Remit monthly NHIP premiums with the following information at the individual employee level and the aggregate level for all serviced KN employees.

(a) ROK ID number.

(b) Employee's Name.

- (c) Total Pay.
- (d) NHIP Premium (employee deductions).
- (e) NHIP Premium (employer contributions).
- (f) Total NHIP Premium.
- (g) Long-Term Care Insurance Plan (LTCIP) Premium, employee deductions (Note: the LTCIP is covered in chapter 6).
- (h) LTCIP Premium, employer contributions.
- (i) Total LTCIP premium.
- (j) Grand total.

#### **5-4. Premiums**

The NHIP premium percentage rates are established and announced by the NHIC. When the NHIP premium percentage rate is changed, CPD will issue a memorandum to announce the new rate and the effective date of the rate change. Korean national payroll offices will apply NHIP premium percentage rate changes when they occur. Each KN employee's monthly NHIP premium deductions and the matching employer contributions are computed by multiplying the employee's taxable earned income each month by the applicable NHIP premium percentage.

### **Chapter 6 Long-Term Care Insurance Plan (LTCIP)**

#### **6-1. Authority**

The authority for eligible KN employees (as defined in paragraph 6-2 below) to participate in the LTCIP is contained in reference #26 and #28.

#### **6-2. Eligibility**

All KN employees participating in the Korean National Health Insurance Plan (NHIP), discussed in Chapter 5, are automatically covered by the LTCIP.

#### **6-3. Responsibilities**

- a. The related servicing CPO responsibilities are outlined in Chapter 5, paragraph 5-3a.
- b. Each servicing KN payroll office will:
  - (1) Ensure that beginning with the first pay period after a KN employee is enrolled in the LTCIP, the payroll office deducts the appropriate amount of monthly LTCIP premiums from the employee's pay and collects the matching monthly employer's LTCIP contributions.
  - (2) Pay the employee and employer LTCIP contributions for each month no later than the 25th calendar day of the following month by depositing those funds into the designated bank account of the NHIC.

**NOTE:** As outlined in paragraph 5-3b(3) of this regulation, the remittance record for the NHIP will also outline the monthly employees' and employers' LTCIP contributions.

#### **6-4. Premiums**

The LTCIP premium percentage rates are established and announced by the NHIC. Korean national payroll offices will apply LTCIP premium percentage rate changes when they occur. When the LTCIP premium percentage rate is changed, CPD will issue a memorandum to announce the new rate and the effective date of the rate change. Each KN employee's monthly LTCIP premium deductions and the matching employer contributions are computed by multiplying the employee's taxable earned income each month by the applicable LTCIP premium percentage.

### **Chapter 7 Employment Insurance Plan (EIP)**

#### **7-1. Authority**

The authority for eligible KN employees (as defined in paragraph 7-2 below) to participate in the EIP is contained in reference #26 and #29. Additional related guidance is contained in reference #30 and #31.

#### **7-2. Eligibility**

a. KN Employees Under Age 65. IAW reference #30, only KN employees that are under age 65 who work 60 hours or more a month or 15 hours or more a week will be enrolled in the EIP.

b. KN Employees Age 65 and Above. IAW reference #31, only KN employees that are age 65 years or older will be enrolled in the Employment Stability Program (ESP) and the Vocational Ability Development Program (VADP). However, KN employees who are age 65 years or older cannot be enrolled in the Unemployment Benefits Program (UBP) of the EIP.

#### **7-3. Responsibilities**

a. The servicing CPO will:

(1) Determine EIP eligibility for each serviced KN employee. When in-processing an eligible new KN employee or when a formerly ineligible KN employee obtains EIP eligibility, annotate the employee's EIP eligibility in the REMARKS section of the SF 50 and submit the completed SF 50 to the servicing payroll office.

(2) IAW reference #32, prepare and forward the applicable EIP reports and form to the servicing ROK Employment Security Center (ESC) regional office NLT the 15th day of the month following the month the KN employee was hired or became EIP eligible.

(3) Comply with the following requirements, as applicable.

(a) When an employee terminates employment and the employee does not desire to request unemployment benefits, the servicing CPO will complete the applicable form for the employee's loss of EIP eligibility and submit the completed form to the servicing ROK ESC regional office within 15 days of the termination IAW reference #32.



(b) When an employee terminates employment and the employee desires to request unemployment benefits, the servicing CPO will complete the applicable EIP form, to include payroll data obtained from the servicing payroll office, and forward it to both the employee and the servicing ROK ESC regional office within 15 days of the termination, as required by reference #32.

(c) When a KN employee is transferred from one CPO to another CPO, the gaining CPO will prepare the applicable EIP form for the new appointment; and the losing CPO will prepare the applicable EIP form for termination of employment. Civilian personnel offices must provide the completed form to the servicing ROK ESC regional office within 14 days from transfer of the employee, as required by reference #33.

(4) For any request(s) for subsidies under the VADP, send the request(s) to the servicing local Ministry of Employment and Labor (MOE&L) office, or assist the organization(s) conducting the training in submission of the request(s) for VADP subsidies. CPOs will submit the request(s) to the Civilian Personnel Director (CPD) and the CPD will, in turn, submit the request(s) to the servicing local MOE&L office. After CPD submits the request(s) for subsidies to the servicing local MOE&L office, a copy of each request with each applicable employer's Line of Accounting (LOA) will be forwarded to the servicing disbursing office for processing of the related cash collection voucher.

b. The servicing KN payroll office will:

(1) Ensure that beginning with the first pay period for each new KN employee that is eligible for the EIP, the payroll office (i) deducts the appropriate amount of monthly EIP premiums for the unemployment benefits from employee's pay and collects the matching monthly employer's EIP contributions, and (ii) collects the appropriate amount of premiums for the ESP and the VADP from the applicable employers.

(2) Pay the EIP premiums and meet the additional related requirements as outlined in paragraph 7-4.

(3) For any request(s) for subsidies under the ESP, submit the request(s) to the servicing local MOE&L office (if applicable). A copy of each request with each applicable employer's LOA will be forwarded to the servicing disbursing office for processing of the related cash collection voucher.

(4) Provide required payroll data to KN employees who want to submit requests for EIP benefits (e.g., unemployment benefits, or subsidies for maternity leave) to the servicing local MOE&L office.

#### **7-4. Premiums**

a. The premium for unemployment benefits will be shared equally by the participating employees and their employers; and the premiums for the ESP and the VADP will be paid by the employers. In accordance with CPD guidance and reference #34, all KN payroll offices will pay periodic EIP premiums IAW the instructions provided by the CPD.

b. The total amount of the annual EIP premiums will be deposited in the designated bank account of the ROK ESC.

c. The premium rates for EIP programs are established by the ROK Employment Security Center (ESC). The KN payroll offices will apply EIP premium rate changes when they occur.

When the premium rates are changed, CPD will issue a memorandum announcing the premium rate changes and the effective date of the rate changes.

d. Unemployment Benefits Program (UBP).

(1) For each employee who was serviced by one KN payroll office for all of the previous tax year and has not had a change in servicing KN payroll office, the employee's monthly UBP premium and the matching employer contributions are computed by multiplying the employee's average monthly taxable earned income in the previous tax year by the prevailing UBP premium percentage rate.

(2) For all other employees, each KN payroll office will determine each serviced employee's estimated monthly taxable earned income based on the employee's current step and grade. Then, the employee's monthly UBP premium and the matching employer contributions will be computed by multiplying the employee's estimated average monthly taxable earned income by the prevailing UBP premium percentage rate.

e. Employment Stability Program (ESP) and Vocational Ability Development Program (VADP).

(1) For each KN employee eligible for the ESP and VADP who was serviced by one KN payroll office for all of the previous tax year and has not had a change in servicing KN payroll office, the employer's monthly ESP and VADP Program contributions relating to that employee will be computed by multiplying the employee's average monthly taxable earned income in the previous tax year by the prevailing ESP and VADP program premium percentage rate.

(2) For all other KN employees eligible for the ESP and VADP, each KN payroll office will determine each serviced employee's estimated monthly taxable earned income based on the employee's current step and grade. Then, the employer's monthly ESP and VADP contributions relating to that employee will be computed by multiplying the employee's average monthly taxable earned income by the prevailing ESP and VADP premium percentage rate.

f. At the end of each year, each servicing KN Pay Office will reconcile actual EIP payments made for each KN employee to EIP premiums due based on each employee's actual taxable earned income for the year. Each servicing KN Pay Office will then increase or decrease each employee's EIP premium deductions (and the employer's matching share) to ensure the correct annual EIP amounts are paid for the just concluded year by the 90th day of the following year.

## **Chapter 8**

### **Industrial Accident Compensation Insurance Plan (IACIP)**

#### **8-1. Authority**

The authority for eligible KN employees (as defined in paragraph 8-2 below) to participate in the IACIP is contained in reference #26 and #35. Other applicable guidance is included in reference #36.

#### **8-2. Eligibility**

IAW reference #36, all USFK APF and NAF KN employees (including KSC members) will be covered by the IACIP; and USFK invited contractors will provide IACIP coverage for their employees separately from the USFK plan following the procedures outlined in reference #36.

### **8-3. Responsibilities**

a. The servicing CPO will:

(1) IAW reference #37, train supervisors in the compensations claims process so that supervisors can counsel and assist their employees on eligibility and procedures for filing claims.

(2) Review and certify each submitted IACIP benefits request form and retain one copy of the completed form and any required supporting documents in the respective employee's IACIP case file. These records may be used to determine periodic IACIP premium rate changes based on historical IACIP claims.

b. The servicing KN payroll office will:

(1) Provide information and assistance to KN employees and their supervisors in filling out requests for IACIP benefits.

(2) Ensure that beginning with the first pay period after a KN employee is employed, the payroll office collects the appropriate amount of monthly employer IACIP contributions for the employee.

(3) Pay the IACIP premiums and meet the additional related requirements as outlined in paragraph 8-4.

### **8-4. Premiums**

a. Only employing agencies will pay IACIP premiums. Therefore, KN payroll offices will not collect IACIP premiums from the pay of KN employees. IAW CPD Guidance and reference #38, all KN payroll offices will pay estimated periodic IACIP premiums IAW the applicable instructions provided by the CPD.

b. The total amount of the periodic IACIP premiums will be deposited in the designated bank account of the Korea Workers' Compensation & Welfare Service.

c. Upon consideration of the most recent version of reference #39, the SOFA Labor Subcommittee establishes IACIP premium rates for KN employees. When the rates are changed, the CPD will issue a memorandum to announce the new rates and the effective date of the rate changes. The KN payroll offices will apply IACIP premium rate changes when they occur.

d. For each employee who was serviced by one KN payroll office for all of the previous tax year and has not had a change in servicing KN payroll office, the employer's monthly IACIP contributions relating to that employee will be computed by multiplying the employee's average monthly taxable earned income in the previous tax year by the prevailing IACIP premium percentage rate.

e. For all other employees, each KN payroll office will determine each serviced employee's estimated monthly taxable earned income based on the employee's current step and grade. Then, the employer's monthly IACIP contributions relating to that employee will be computed by multiplying the employee's estimated average monthly taxable earned income by the prevailing IACIP premium percentage rate.

f. At the end of each year, each servicing KN Pay Office will reconcile actual IACIP payments made for each KN employee to IACIP premiums due based on each corresponding employee's actual taxable earned income for the year. Each servicing KN Pay Office will then increase or decrease each employing agency's IACIP contributions to ensure the correct amount of IACIP premiums are paid for the just concluded year by the 90th day of the following year.

## **Chapter 9**

### **Retirement Insurance Savings Installments**

#### **9-1. Authority**

The authority for KN employees to participate in the retirement insurance savings plan is outlined in reference #3.

#### **9-2. Eligibility**

All KN employees specified in applicability may participate in the retirement insurance savings plan at their option.

#### **9-3. Retirement Insurance Savings Plan**

Participation in the retirement insurance savings plan is voluntary.

a. KN employees who desire to participate in the retirement insurance savings plan will personally contract with the Daehan (Korea) Life Insurance Company.

(1) The effective date of the contract will be the date when the first monthly or annual installment is deposited to the insurance company.

(2) The contract for the retirement insurance savings plan signed by a participant will remain valid until contract maturity or termination.

b. Each KN employee who participates in the retirement insurance savings plan will complete an authorization form (Request and Authorization for Voluntary Allotment of Retirement Insurance Savings Installment) in duplicate. The authorization forms can be obtained from the Daehan (Korea) Life Insurance Company.

(1) The participant will submit the original authorization form, endorsed by the insurance company, to the servicing KN payroll office.

(2) The insurance company will maintain the duplicate.

#### **9-4. Payroll Deduction of Installments**

The servicing KN payroll office will deduct the amount of monthly or annual installments from the participant's regular pay or severance pay, as applicable.

a. The monthly deduction from the regular pay will be effective the first full pay period after receipt of the participant's authorization form in the servicing KN payroll office.

b. The annual deduction from the severance pay will be effective the first annual cutoff date after receipt of the participant's authorization form in the servicing KN payroll office.

## **9-5. Remittance Record**

The servicing KN payroll office will:

a. Remit the retirement insurance savings installments to the bank account designated by the insurance company NLT 10 workdays after the deduction (i.e., NLT 10 workdays after the employee pay date).

b. Prepare the monthly or annual retirement insurance savings remittance record for each participating KN employee and submit the remittance records to the Daehan (Korea) Life Insurance Company at 60, Yoido-dong, Yongdeungpo-ku, Seoul, Korea, Postal Service Code No. (Korean ZIP Code) 150-603. Each monthly or annual remittance record will include the following for the participating employee.

- (1) Name of the servicing payroll office and date.
- (2) Pay group, payroll number, and account number.
- (3) Pay period.
- (4) Employee's name.
- (5) Policy number.
- (6) Individual amount of savings allotment deducted.
- (7) Number of deductions.
- (8) Separation date, if applicable.

## **Chapter 10 Voluntary Union Dues Allotments**

### **10-1. Authority**

The authority for KN payroll offices to withhold union dues from USFK Korean Employee Union (KEU) members' pay is outlined in reference #40 and #41. Each servicing payroll office will have on file a copy of the current labor and management agreement.

### **10-2. Eligibility**

USFK KEU members desiring to have union dues deducted from their pay may at any time, complete and sign the appropriate portions of the union dues allotment authorization form (Request and Authorization for Volunteer Allotment of Compensation Payment of Employee Organization Dues) which can be obtained from the USFK KEU. When a USFK KEU member desires to have his/her union dues deducted from his/her pay:

a. The KEU member will forward or deliver the properly completed union dues allotment authorization form, certified by the designated officials of the union, to the servicing CPO.

(1) The servicing CPO will transmit the completed authorization form to the servicing KN payroll office within three (3) workdays after receipt.

(2) The servicing KN payroll office will begin deducting the union dues for the first full pay period after the completed authorization form is received in the payroll office from the servicing CPO.

b. An employee who authorized deductions of union dues may request revocation of deductions at any time by submitting a completed USFK Form 101EK (Cancellation of Payroll Deductions for Labor Organization Dues) or other written request in triplicate and submitting it to the servicing CPO (reference #40).

(1) The CPO will transmit one copy of the revocation request to the KEU within three (3) workdays after receipt and IAW reference #40 send two copies to the servicing KN payroll office within 2 weeks after the date the CPO receives the revocation request.

(2) The servicing KN payroll office will discontinue the deductions of union dues from the employee's pay at the beginning of the third full pay period from the time the revocation request is received in the servicing KN payroll office (**Example:** On 15 Sep the revocation request is received in the servicing payroll office, 1 Oct is beginning of 1st subsequent full pay period, 1 Nov is beginning of 2nd subsequent full pay period, and 1 Dec is beginning of 3rd subsequent full pay period. So the responsible KN payroll office would stop the employee's union deductions as of 1 Dec).

c. The responsible USFK KN payroll office will terminate an allotment for union dues when a KN employee is separated from employment, except when the employee transfer or reassignment would not involve changing the employee from one servicing USFK payroll office to another. See paragraphs 10-3d and 10-3e below for applicable guidance when a USFK KN employee's transfer or reassignment involves changing the employee from one servicing USFK payroll office to another.

d. Union dues allotments will also be terminated based on receipt of written notification from the KEU that the employee has resigned or has been suspended/expelled from the KEU. IAW reference #40, termination of union dues allotments in this case will be effective the first full pay period after receipt of the notification in the payroll office.

### **10-3. Union Dues Deduction**

The formula for calculating union dues under the monthly pay cycle is  $0.009 \times$  the union member's basic pay for 173 hours per month. Basic pay includes Base Pay + CAP + PIK + BA. Therefore, the formula for union dues under the monthly pay cycle would be as follows:  $0.009 \times 173$  base pay hours  $\times$  hourly rates for Base Pay + CAP + PIK + BA). Meanwhile, the formula for calculating union dues under the 4-week pay cycle would be calculated as follows:  $0.009 \times 160$  base pay hours per pay cycle  $\times$  hourly rates for Base Pay + CAP + PIK + BA.

a. Changes in the amount of union dues because of wage adjustments (for example, for annual wage increases, changes in pay grade levels, or movement of positions between different wage schedules) will be put into effect in the first pay period after the effective date of the wage adjustment.

b. The employee will not be required to resubmit a union dues allotment authorization form if the employee's transfer or reassignment would not involve changing the employee's servicing USFK payroll office from one to another, or to implement changes in the union bylaws.

c. When a KN employee is transferred or reassigned between USFK activities that have different servicing KN payroll offices, the losing payroll office will forward the related union dues allotment authorization form to the gaining payroll office.

d. The CPO processing a personnel action that would involve changing the employee's servicing USFK payroll office from one to another will enter in the remarks section of the personnel action, either of the following statements, as applicable.

(1) Comments if Personnel Action Prepared by Losing CPO. INSTRUCTIONS TO PAYROLL OFFICE: Deduction of union dues will be continued. The union dues allotment authorization form must be transferred to (gaining payroll office).

(2) Comments if Personnel Action Prepared by Gaining CPO. INSTRUCTIONS TO PAYROLL OFFICE: Deduction of union dues will be continued. The union dues allotment authorization form must be transferred from (losing payroll office).

e. The losing KN payroll office will forward the related union dues allotment authorization form within 3 workdays after receipt of the personnel action. The gaining KN payroll office will deduct union dues effective the first full pay period after the date the union dues allotment authorization form is received in the payroll office from the losing payroll office.

#### **10-4. Remittance of Dues**

The total amount of union dues withheld will be transmitted by the withholding agent to the union NLT 40 working days from the close of each pay period.

a. The remittance of union dues will be made by electronic deposit or check for Korean won, as appropriate, to the USFK KEU bank account designated by the KEU.

b. All withholding agents will prepare and submit to the KEU a list reflecting the name of the activity, each employee's name, the amount of union dues deducted from each employee, and the total amount remitted to the KEU for every pay period.

#### **10-5. Voucher Transactions**

a. The total amount of union dues withheld for each pay period will be credited to the applicable deposit fund account.

b. The total amount of union dues shown in U.S. dollars and Korean won will be disbursed on SF 1049 (Public Voucher for Refunds) or on another appropriate form.

## Appendix A References

### Section I. Required Publications

- #1. Department of Defense Financial Management Regulation (DODFMR), Volume 8, Civilian Pay Policy and Procedures, Chapter 4, Deductions, Paragraph 0411 **(1-4d(1))**
- #2. Letter HQ, USFK, Office of the Judge Advocate, 7 January 1994, subject: Reply to ROK Seocho Tax Office notification of wage attachment addressed to the Commander, Eighth U.S. Army **(1-4d(2))**
- #3. Memorandum, HQ, USFK, Office of the Civilian Personnel Director, CPJ, 19 Nov 82, subject: Change to Payment Procedure and Payroll Deduction Services for Group Insurance Retirement Savings Installments **(2-1 and 9-1)**
- #4. Article XVII, paragraph 3 of the Agreed Minutes to the Status of Forces Agreement (SOFA) between the United States of America and the Republic of Korea, signed July 9, 1966 **(3-1)**
- #5. Article 47 of the ROK Income Tax Act **(3-6 and 3-12c)**
- #6. Article 50 of the ROK Income Tax Act **(3-7a and 3-7b)**
- #7. Article 51 of the ROK Income Tax Act **(3-7b)**
- #8. Article 51 (2) of the ROK Income Tax Act **(3-7c)**
- #9. Article 51 (3) of the ROK Income Tax Act **(3-7d)**
- #10. Article 52 of the ROK Income Tax Act **(3-7e)**
- #11. Articles 86 and 86 (2) of the ROK Restriction of Special Taxation Act **(3-7f(1))**
- #12. Article 126 (2) of the ROK Restriction of Special Taxation Act **(3-7f(2))**
- #13. Article 87 of the ROK Restriction of Special Taxation Act **(3-7f(3))**
- #14. Memorandum, 175<sup>th</sup> Financial Management Center, EANC-FMC-AP, 29 March 2010, subject: Reporting Changes for Taxable and Non-Taxable Wages for USFK KN Employees **(3-8 and 3-9)**
- #15. Memorandum, HQ, USFK, FKFC-AP, 27 June 2000, subject: Taxable and Non-Taxable Wages for USFK KN Employees **(3-8 and 3-9)**
- #16. Article 59 of the ROK Income Tax Act **(3-10a)**
- #17. Supplementary Provision No. 5584, 12 (5) of the ROK Restriction of Special Taxation Act **(3-10b)**

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\* For each reference, the applicable paragraph(s) or subparagraph(s) of this regulation is shown in parentheses and bold, italics. For example: **(3-7c)**



- #18. Article 76 of the ROK Restriction of Special Taxation Act **(3-10c)**
- #19. Article 55 of the ROK Income Tax Act **(3-11)**
- #20. Articles 59, 129, and 134 of the ROK Income Tax Act **(3-12c)**
- #21. Article 176 (2) of the ROK Local Tax Act **(3-13a and 3-20b(1))**
- #22. Article 48 (1) of the ROK Income Tax Act **(3-19a(1))**
- #23. Article 48 (2) of the ROK Income Tax Act **(3-19a(2))**
- #24. Article 48, paragraph (1) 2 of the ROK Income Tax Act **(3-20a(2))**
- #25. Memorandum, U.S. Assistant Secretary of Defense, 8 December 1987, subject: Korean National Pension Plan for U.S. Forces Korea Employees **(4-1)**
- #26. USFK Reg 690-1, Civilian Personnel Regulations and Procedures – Korean Nationals, paragraph 1-5 **(4-1, 5-1, 6-1, 7-1, and 8-1)**
- #27. Memorandum, HQ, USFK, FKCS, 10 Dec 01, subject: Procedures for Implementation of the Republic of Korea (ROK) National Health Insurance Plan (NHIP) **(5-1)**
- #28. Memorandum, HQ, USFK, FKCP-LPM, 31 Mar 08, subject: USFK Participation in the Republic of Korea (ROK) Long-Term Care Insurance for the Elderly (LTCI) **(6-1)**
- #29. Memorandum, HQ, USFK, FKCP-SES, 30 Mar 95, subject: Employment Insurance Plan for Korean National Employees **(7-1)**
- #30. Procedures Concerning United States Forces Korea Participation in the Republic of Korea (ROK) EIP approved by the SOFA Joint Committee on 11 Aug 05 **(7-1 and 7-2a)**
- #31. Memorandum, HQ, USFK, FKCP-SES, 8 May 06, subject: Coverage of Employment Insurance Plan (EIP) for Employees of Age 65 or Older **(7-1 and 7-2b)**
- #32. Article 7 of the Employment Insurance Act (EIA) Enforcement Decree **(7-3a(2) and 7-3a(3))**
- #33. Article 9 of the EIA Enforcement Decree **(7-3a(3))**
- #34. Article 12 of the Enforcement Decree of the Act on the Collection, etc. of Premiums for Employment Insurance and Industrial Accident Compensation Insurance **(7-4a)**
- #35. Memorandum, HQ, Eighth U.S. Army, EAGA-CP-SES, 16 Dec 04, subject: Implementation of the Industrial Accident Compensation Insurance Plan for USFK Korean National (KN) Employees **(8-1)**
- #36. Procedures Concerning United States Forces Korea Participation in the Republic of Korea Industrial Accident Compensation Insurance (IACI) Plan for Korean National Employees approved by the SOFA Joint Committee on 7 Dec 04 **(8-1 and 8-2)**
- #37. USFK Reg 690-1, Civilian Personnel Regulations and Procedures – Korean Nationals **(8-3a)**

#38. Article 17 of the Enforcement Decree for the Employment Insurance and Industrial Accident Compensation Insurance Premium Collection Act **(8-4a)**

#39. Article 13 of the Enforcement Decree of the Act on the Collection, etc. of Premiums for Employment Insurance and Industrial Accident Compensation Insurance **(8-4c)**

#40. Article 15 of the Labor Management Agreement between USFK and USFK KEU dated 26 May 2009 **(10-1, 10-2b, and 10-2d)**

#41. Article 15 of the Labor Management Agreement between EUSA and KSC chapter dated 5 June 2007 **(10-1)**

## **Section II. Related Publications**

ROK Income Tax Act.

ROK Enforcement Decree of the Income Tax Act.

ROK Enforcement Regulation of the Income Tax Act.

ROK Local Tax Act.

ROK National Pensions Act.

ROK National Health Insurance Act.

ROK Long-Term Care Insurance Act.

ROK Employment Insurance Act.

ROK Industrial Accident Compensation Insurance Act.

## **Section III. Prescribed Forms**

USFK Forms 98EK-E (Statement of Bank Designation and Checking Account)

USFK Form 101EK (Cancellation of Payroll Deductions for Labor Organization Dues)

## **Section IV. Related Forms**

DD Form 1131 (Cash Collection Voucher)

DD Form 592 (Payroll for Personal Services Certification and Summary)

ROK Tax Form 21 (Summary of Withholding Income Tax)

ROK Tax Form 24 (1) (Receipt of Tax Withholding for Earned Income)

ROK Tax Form 24 (2) (Receipt of Tax Withholding for Retirement Income)

ROK Tax Form 37 (Report of Exemption & Deduction from Income/Report of Exemption & Deduction from Wage & Salary Income)

ROK Tax Form 38 (Certificate of Disabled Dependent)

ROK Tax Form 39 (Information on Temporarily Separated Dependent)

ROK Tax Form 42 (1) (Certificate of Insurance Premium Payment)

ROK Tax Form 43 (Statement of Medical Expenses)

ROK Tax Form 44 (1) (Certificate of Education Expenses)

ROK Tax Form 44 (3) (Certificate of Housing Fund Repayment)

ROK Tax Form 44 (4) (Certificate of Interest Repayment of Long-Term Home Mortgage Loan)

ROK Tax Form 45 (Statement of Donation Payment)

ROK Tax Form 45 (2) (Receipt of Donation Payment)

ROK Tax Form 74 (6) (Report for Deduction of Credit Card Usage)

SF 50 (Notification of Personnel Action)

SF 1049 (Public Voucher for Refund)

**Appendix B**  
**Format for Summary of Local Tax Withheld**

WITHHOLDING AGENT'S LETTERHEAD

Office Symbol

DATE

SUBJECT: Summary of Local Tax Withheld

The Yongsan District Office of Seoul City  
 ATTN: Revenue II Branch  
 34-87, Itaewon-dong, Yongsan-ku,  
 Seoul, Korea, Postal Service Code No. (Korean ZIP Code: 140-704)

Forwarded herewith is a summary of local tax withheld from the compensation (regular pay, bonus, or severance pay) of USFK KN employees for the pay period from \_\_\_\_\_ to \_\_\_\_\_.

<u>PLACE OF EMPLOYMENT (CITY OR COUNTY)</u>	<u>NUMBER OF TAX PAYERS</u>	<u>TAX BASE (INCOME TAX)</u>	<u>AMOUNT OF LOCAL TAX</u>
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Seoul Capital City  
 Pusan Direct Control City  
 Taegu Direct Control City  
 Incheon Direct Control City  
 Kwangju Direct Control City  
 Taejon Direct Control City  
 Songtan City, Kyongki-do  
 Hwasong-kun, Kyongki-do  
 Chunchon City, Kangwon-do  
 Taetok-kun, Chungchongnam-do  
 Chinchon-kun, Chungchongbuk-do  
 Kunsan City, Chonlabuk-do  
 Hampyong-kun, Chonlanam-do  
 Chilgok-kun, Kyongsangbuk-do  
 Chinhae City, Kyongsangnam-do  
 Namcheuju-kun, Cheju-do

TOTAL: \_\_\_\_\_

\_\_\_\_\_  
 Signature of Payroll Certifying Officer

## Glossary

### Section I. Abbreviations

AAFES	Army and Air Force Exchange Service
APF	Appropriated Fund
KN	Korean National
BA	Benefits Allowance
CAP	Consolidated Allowance Payment
CP&A	Centralized Pay and Accounting Office
CPD	Civilian Personnel Director
CPO	Civilian Personnel Office **
DHL	Dragon Hill Lodge
DOD	Department of Defense
DODFMR	Department of Defense Financial Management Regulation
EFT	Electronic Fund Transfer
EIA	Employment Insurance Act
EIP	Employment Insurance Plan
ESC	Employment Security Center
ESP	Employment Security Program
FMC	Financial Management Center
HIP	Health Insurance Plan
HW	Holiday Work
IACIP	Industrial Accident Compensation Insurance Plan
IAW	In Accordance With
ID	Identification

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\*\* Note: In this regulation, the term “Civilian Personnel Office” is used as a generic term referring to all U.S. Army, Navy, and Air Force personnel offices within the ROK.

KEU	Korean Employees Union
KN	Korean National
KSC	Korea Service Corps
LOA	Line of Accounting
LTCI	Long-Term Care Insurance
LTCIP	Long-Term Care Insurance Plan
MIP	Medical Insurance Plan
MOE&L	Ministry of Employment and Labor
NAF	Non-Appropriated Fund
ND	Night Shift Differential
NHIC	National Health Insurance Corporation
NHIP	National Health Insurance Plan
NLT	Not Later Than
NPP	National Pension Plan
NPC	National Pension Corporation
NTS	National Tax Service
OP	Occupational Premium
OT	Overtime Work
PIK	Payment in Kind
PO	Private Organization
RAA	Remote Area Allowance
ROK	Republic of Korea
SOFA	Status of Forces Agreement
TA	Tuition Assistance
TDY	Temporary Duty
U.S.	United States (of America)

USFK	United States Forces, Korea
VADP	Vocational Ability Development Program

## Section II. Terms

**Earned income.** (i) Salary, pay, remuneration, annual allowance, wage, bonus, allowance, and other benefits of a similar nature, which are received for offering labor; (ii) Income received as a bonus by a resolution at the general meetings of stockholders or partners of a corporation, or similar deliberative organs; (iii) Amount considered as a bonus under the Corporate Tax Act; and (iv) Income received due to retirement, which is not included in the retirement income.

**Electronic Funds Transfer.** Transfer of employee's wages electronically rather than by check or cash.

**Financial organization.** Any bank, savings bank, savings and loan association, or similar institution, and investment trust company.

**Global income.** This term means the total amount of asset income, business income, earned income, and other income earned during the respective tax year. It does not include retirement income (a.k.a., severance income).

**Income Exemption and Deduction.** An amount authorized to be taken from each eligible employee's taxable income for income tax purposes.

**Income tax.** The ROK national income tax assessed on taxable income of KN employees by applying the income tax rates prescribed in the ROK Income Tax Law.

**Invited contractor.** Persons including corporations organized under the laws of the U.S., present in the ROK solely for the purpose of executing contracts with the U.S. for the benefit of the U.S. Armed Forces; as defined in the ROK-US Status of Forces Agreement, Article XV.

**Local tax.** A resident tax known as pro-rata income tax levied as a percentage of the income tax withheld by applying the local tax rate in the ROK Local Tax law.

**Nontaxable income.** The types of payment identified in the ROK Income Tax Law, which are not subject to withholding tax.

**Private Organizations (POs).** A self-sustaining, non-Federal entity, incorporated or unincorporated, which is operated on Army/DOD installations with the written consent of the installation commander or higher authority, by individuals acting exclusively outside the scope of any official capacity as officers, employees, or agents of the Federal Government or its instrumentalities (i.e., United Service Organizations, the American Red Cross, and Credit Unions).

**Personal-Hire Employees.** Individual DOD members or activities conducting business as private associations, who employ individual KN employees and pay such employees from private funds. Persons so employed are commonly called personal-hire employees.

**Regular pay.** All wages and salaries earned on a monthly or a four-week basis during the respective tax year including base pay, overtime (OT), Holiday Work (HW), Night Shift Differential (ND), Occupational Premium (OP), Consolidated Allowance Payment (CAP), Payment in Kind (PIK), Remote Area Allowance (RAA), and Tuition Assistance (TA) for employee's children, except bonuses.

**Retirement Income.** Severance pay paid to an employee either annually or upon an individual's termination of employment. Retirement income and severance pay are synonymous.

**Separated employee.** As used in this regulation the term "separated employee" means an employee separated prior to the last pay period of an applicable year when that employee separation would involve the termination of services by a KN payroll office.

**Severance pay.** Retirement income paid to an employee either annually or upon an individual's termination of employment. Severance pay and retirement income are synonymous.

**Tax base.** The net amount of an employee's taxable income after subtracting all deductions authorized under the ROK income tax law.

**Tax credit.** An amount of deduction authorized from the computed income tax amount for each eligible employee.

**Taxable income.** Global income and retirement income which are subject to Korean withholding taxes.

**Tax year.** The period beginning 1 January through 31 December of each year for employees paid on a calendar month basis except as provided below.

a. For employees paid on a 4-week basis, the tax year is the beginning of the first day of the first pay period ending in January through the end of the last day of the last pay period ending in December of each year.

b. If an employee is separated during the tax year, the separated employee's tax year will be the period from the beginning of the tax year to the last day of employment.