

*This guide has been prepared by an independent third-party firm.*

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## **REPUBLIC OF KOREA – TAX CONSIDERATIONS FOR ACCOMMODATION SERVICE**

This is a guide to some of the tax requirements that may apply when you provide accommodation service in South Korea.

Tax can be tricky and it is important that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are an individual supplying accommodation service in South Korea, you should make sure that you understand each of the following types of taxes, and pay the ones that apply to you.

- [Individual Income taxes](#)
- [Value added tax \(VAT\)](#)

This guide has been prepared solely for individuals, and does not cover property management by corporate type entities.

Please understand that this information is to help you find the advice you might need; it is not intended to be comprehensive, and is not legal or tax advice. We encourage you to check official local guidance, and seek independent advice from a qualified professional, where you need support with understanding your own specific tax obligations.

Please note that we do not update this information in real time, so you should always check that the laws and procedures have not changed recently.

### **INDIVIDUAL INCOME TAX**

Where you earn income in South Korea, it is likely that you will have to pay tax on this income to the [National Tax Service \(NTS\)](#). Below is a brief outline of tax that may arise on income earned from accommodation service in South Korea and some information on how this tax can be paid to the NTS, and where you can find more information about this.

South Korea income tax is payable on worldwide income (for residents), or income sourced in Korea (for non-residents), and generally includes income from the accommodation service.

To find out the income tax rate that applies to you, please refer to the NTS official website [here](#).

Korea's tax year runs from 1 January to 31 December, and the deadline to file the income tax return is generally 31 May following the end of the tax year. Tax returns can be filed with the NTS by paper<sup>1</sup> or online via NTS' official website. Local income surtax should be reported to the local government, and the deadline of filing local income surtax is the same as that of individual income tax.

If you have any questions regarding your income tax return, you may consider seeking advice from a professional tax advisor to assist in completing your tax return.

### **Korea rules applicable to accommodation service income.**

Income earned by an individual providing accommodation service is treated as ordinary business income. Accommodation sharing business generally means providing residential property for accommodation service in commercial use (e.g. accommodation for travelers).

### **Typical costs and expenses that can be deducted from accommodation service income**

You may deduct costs or expenses directly incurred in the provision of accommodation service against your income. Generally, this can include, but is not limited to:

- Repairs and maintenance expense on business assets
- Management and maintenance fee
- Insurance payments on business assets
- Depreciation costs for business assets
- Property taxes
- Other costs incurred directly related to the accommodation service (such as Airbnb's service fees).

### **Selection of individual income tax scheme**

In principle, as explained above, the individual can claim a deduction of costs and expenses

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<sup>1</sup> You can find details of the relevant tax office to send any paper return to on the NTS website by entering your registered address.

against the accommodation service income earned for purposes of calculating the global income tax base, and is imposed an obligation to maintain books and records in this regard. If such recordkeeping obligation is not complied by the individual, the NTS may recalculate the taxable income by using the statutorily allowed expense amount provided under the tax law (e.g., a certain percentage of the total accommodation service income). Please note an exception is available for individuals who earned KRW 48 million or less in the immediately preceding year, where such individual would be exempt from this recordkeeping obligation.

In addition, if the yearly accommodation service income is KRW 5 million or less, the character of the accommodation service income can be classified as "Other Income," and not business income. In this case, the individual is allowed to claim a 60% deductible expense against this other income earned under the South Korean tax law. If this is applicable to you, you may wish to consult with a tax advisor on which income character would be more favorable.

### **South Korea income tax obligation for non-resident individuals.**

If you are non-resident and in receipt of South Korean-sourced accommodation service income, this income falls within the scope of South Korea income tax and must be reported to the NTS, unless provided otherwise under the relevant tax treaty.

You will need to complete a tax return each year to report the income received and the tax deducted at source on the property. Where you have expenses to set against the accommodation service income you can deduct the amount of expenses incurred in the year.

### **Korea income tax obligations for a Korean individual in receipt of foreign accommodation service income.**

If you are a Korean tax resident, you are required to report your worldwide income on your Korea tax return. If you also pay tax on the same accommodation service income in another country (for example the country that the property is situated), there may be relief from tax in either Korea or the other country under the terms of the double tax treaty between Korea and that country depending on eligibility. This will ensure that tax is not suffered twice on the same income.

### **General property taxes payable.**

The owner of a house may have an obligation to pay property taxes and comprehensive real estate tax which is levied by the Korean government based on publicly notified real estate value. The amounts will vary depending on the number of houses owned by the individual, and the publicly notified real estate value of the house.

Sample Tax Computation		
Ms. Kim owns a 2 bedroom house. She provides accommodation service for the entire house on a short-term basis.		
Ms. Kim received total gross accommodation service income in 2021 of KRW 30 million.		
Ms. Kim incurred the following expenses in relation to this house in 2021: house insurance KRW 5 million, property tax KRW 3 million and electricity/gas KRW 1 million.		
		KRW mil.
Accommodation service income		30
Less allowable expenses against accommodation service income:		
	House insurance	(5)
	Property tax	(3)
	Electricity/gas	(1)
Business taxable income <sup>2</sup> :		21
Tax deductions:		(3)
Global income tax base:		18

## VALUE ADDED TAX

VAT is a tax chargeable when you supply certain goods and services as a business activity. Most goods and services supplied in South Korea are subject to VAT, which is calculated as 10% of the amount paid for the goods and services.

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<sup>2</sup> We assume that Ms. Kim did not earn income other than accommodation service income, thus, global income only consists of accommodation service income.

As you being the host, and not Airbnb, supply the accommodation directly to guests, you, the host, are responsible for determining whether VAT should be applied to the accommodation fee you charge guests. You should ensure you understand your VAT obligations as the supplier of the accommodation to guests.

If you are supplying accommodation in South Korea, you may be required to charge VAT on the accommodation fee you charge to guests and pay this VAT to the NTS. This applies even if you are not a South Korean resident. You may wish to discuss with a professional tax advisor if you are unsure about your VAT obligations in South Korea.

**Do I need to register for VAT? Do I need to charge and collect VAT from guests if I am providing accommodation service in South Korea?**

If you supply your accommodation to guests in South Korea as part of a business activity, you may need to charge VAT on your accommodation fee to guests and pay this to the NTS.

If you supply accommodation to guests “continuously and repeatedly”, you will have an obligation to register for VAT in South Korea. While the tax law does not clearly define the term “continuously and repeatedly”, accommodation service of a property located in South Korea will generally be treated as a taxable supply.

You may wish to consult with a professional tax advisor if you need assistance in determining whether you need to register for and charge VAT in South Korea, or refer to NTS' official website for further guidance.

**I am registered for VAT . How do I collect VAT from guests?**

You may refer to Airbnb's help center here to find out more about how to add VAT to your accommodation fee if you are required to charge VAT under the VAT law.

**Filing VAT returns & Payment of VAT**

The VAT return needs to be filed each quarter, where the due date is the 25th day of the following month of the end of each quarter, i.e., Q1: April 25; Q2: July 25; Q3: October 25; Q4: January 25. The taxpayer should calculate the VAT payable (i.e., output VAT minus input VAT) and make the VAT payment, if any, along with the VAT return filing.

If case of a small business (e.g., only operates the accommodation business and earned

revenue of less than KRW 48 million in the preceding year), the VAT return obligation is reduced to twice per year, where the due date is the 25th day of the following month of the end of the half year, i.e., 1st half: July 25; 2nd half: January 25. Calculation of the VAT payable for small businesses is different from an ordinary Korean taxpayer, and thus recommended to obtain advice from a separate tax advisor.