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## Finland: Advance notification of posted workers to be introduced in September 2017

### Overview

On June 15, 2017, the government adopted provisions on submitting notifications of posted workers. The act has been enforced since July 1, 2017, and the obligation to submit an advance notification will be enforced beginning September 1, 2017.

The act will enable the introduction of advance notifications concerning posted workers in Finland. The notifications must be submitted by the posting company to the occupational safety and health authority by using an electronic form. The purpose of the notification is to improve the targeting of the Occupational Safety and Health Authority's oversight activities.

Posted workers are employees who normally carry out his or her work somewhere other than Finland and are sent by an employer to work in Finland on a temporary basis. In Finland, many posted workers are employed in such sectors as the construction industry.

Notification of posting a worker is not required if the posted workers are sent to Finland by an internal transfer within a group of undertakings for no more than five working days. When determining the five-day period, all previous work

days in Finland by workers of the same posting company during the previous four months will be taken into account. In the construction sector, however, notification is always a requirement for performing work.

If previously submitted information changes essentially (e.g., changes are concerning the workplace or number of employees), a supplementary notification is a prerequisite for continuing the work. The supplementary notification should be submitted immediately as the changes occur.

The act imposes a penalty fee on employers if they neglect to submit the advance notification of posted workers. Beginning September 1, 2017, the Occupational Safety and Health Authority can order an employer to pay a penalty fee if the notification has been neglected or it is incomplete. A penalty fee could also be imposed if a supplementary notification has not been submitted, regardless of essential changes. Under the Posted Workers Act, the penalty fee shall be no less than EUR 1,000 and no more than EUR 10,000.

The Posted Workers Act (447/2016) was updated last year. The act came into effect on June 18, 2016. It implements nationally the enforcement directive of the directive on the posting of workers (the directive on the enforcement of the directive concerning the posting of workers in the framework of the provision of services).

### Deloitte's view

The new reporting obligation requires immediate action related to employees posted to work in Finland as of September 1, 2017. The notification must be submitted no later than the beginning of the work and, at the latest, on the same day as the contractual work begins. The notification can be done in advance as soon as the contract on posting employees to Finland has been concluded.

The reporting obligation is fulfilled by filling an electronic form on the Occupational Safety and Health Authority's web page. The notification is contractor- and workplace-specific (not employee-specific); therefore, if the work is done in several different locations, or for several contractors, a separate notification must be filed for each of them.

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## Korea: Proposed 2017 tax law revisions

### Overview

On August 2, 2017, the Korean Ministry of Strategy and Finance (MOSF) released its proposed tax law revisions. The following is a selection of proposed income tax law revisions relevant to globally mobilized employees. The proposed tax law revisions are subject to approval by the Korean National Assembly, and the final version will be released around December 2017 or January 2018.

### Change to the taxable income brackets and top marginal income tax rate

From the 2018 tax year, individual income tax rates will be changed as follows under the MOSF proposal:

#### Current:

Tax Base	Tax Rate
KRW 12 million	6%
KRW 12-6 million	15%
KRW 46-88 million	24%
KRW 88-150 million	35%
KRW 150-500 million	38%

Tax Base	Tax Rate
In excess of KRW 500 million	40%

Revised:

Tax Base	Tax Rate
KRW 12 million	Same
KRW 12-46 million	
KRW 46-88 million	
KRW 88-150 million	
KRW 150-300 million	
<b>KRW 300-500 million</b>	<b>40%</b>
<b>In excess of KRW 500 million</b>	<b>42%</b>

### Revision to the method of tax residency determination based on the length of physical stay in Korea

Under the current legislation, an individual who had maintained a place of residence in Korea for 183 days or more in any two consecutive tax years can be considered as a tax resident.

According to the proposed revision, the applicable base period to determine tax residency status is reduced from two consecutive tax years to a single tax year (i.e., 183 days or more during a single tax year).

### Changes to the income tax withholding requirement of certain domestic companies for foreign assignees dispatched from foreign corporation

Starting in July 2016, certain Korean companies were required to operate monthly payroll income tax withholding at 17% (18.7%, including local income tax surcharges) for foreign assignees dispatched from foreign companies if they pay service fees exceeding a certain threshold to foreign companies dispatching foreign employees to Korea, even if foreign assignees receive compensation directly from foreign companies.

For the proposed tax law revision to be effective for service fees paid starting July 1, 2018, the withholding tax rate and scope of relevant Korean companies subject to the withholding requirement will be changed as follows:

1. Increase in withheld income tax rates:
2. Currently it is 17% (18.7%, including the local income tax surcharge); it will raise to 19% (20.9%, including the local income tax surcharge).
3. If the total annual service fee paid by the Korean entity to the foreign company dispatching its foreign employees to Korea exceeds KRW 2 billion per annum (decreased from KRW 3 billion per annum), and
4. Korean companies participating in shipbuilding and financial services are added to the list of businesses subject to such withholding requirements (previously included industries: air transportation, construction and professional, scientific, or engineering services).

### Foreign financial accounts reporting threshold amount change

Tax residents of Korea, holding foreign financial accounts and assets in excess of 1 billion KRW on the last day of any months during a tax year, are required to disclose them to the National Tax Service by the end of June of the following year.

Newly proposed changes will decrease the reporting threshold to 500 million KRW, starting for the 2018 tax year (i.e., reporting from June 2019).

### Exempting short-term resident aliens from foreign direct investment and real property acquisition reporting requirement

Tax residents of Korea, with direct investments of 10% or more ownership in a foreign corporation or those who have purchased overseas real estates or the rights to such real estate, are required to report them to the tax authority by the end of May of the following year.

However, foreigners who had stayed in Korea for five or less years during the preceding 10 years (“short-term resident aliens”) will be exempted from such reporting requirements effective for 2017 reporting (i.e., from reporting in May 2018).

#### Deloitte’s view

- The change to the number of days a foreigner can stay in Korea before becoming a tax resident should provide alleviation for some frequent business travelers or short-term assignees.
- Companies should monitor the foreign financial accounts reporting and foreign investment reporting requirements for its foreigners working Korea.
- Foreign companies dispatching its foreign employees to Korean companies for shipbuilding or finance business projects should carefully check to see if they fall into the category subject to the income tax withholding requirement in Korea.

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