



# Korean insights & regulatory updates

Issue 19: April 2026



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Tax updates

## Recent tax reform and key rulings

Recent updates include a Supreme Court ruling allowing the deductibility of the disability employment levy, clarified residency rules, and the introduction of flexible timing for regular tax audits.



# Tax update

## Recent tax reform and key rulings

### Supreme Court: disability employment levy—deductible for Korean CIT purposes

The Supreme Court held that the Disability Employment Levy imposed on employers failing to meet the statutory disability employment quota does not constitute a “sanction-type charge” that must be disallowed for Korean corporate income tax purposes. Accordingly, the levy is, in principle, deductible (Supreme Court, Mar 12, 2026; Case No. 2024Du30809).

- **Key holding:** Although the levy is triggered by non-compliance with the quota, it is not a punitive sanction comparable to fines/penalties; rather, it functions as an inducement/adjustment levy designed to promote disability employment.
- **Practical takeaways:** Companies that historically disallowed the levy may consider amended returns/refund claims within the statutory limitation period. Note, however, that the relevant wording in the CIT law has been amended for FY2025 onward, and further administrative guidance and practice should be monitored.

### Enforcement rules: resident status—clarified evidence for “temporary entry/exit”

Effective 20 March 2026, the Enforcement Rules of the Korean Personal Income Tax Law were amended to clarify what constitutes temporary entry/exit and what evidence may be used to substantiate such circumstances in resident status determinations.

- **What changed:** The rules list illustrative reasons (e.g., short-term tourism, medical treatment, family events, business trips/training) and provide examples of supporting documents (tickets/receipts, medical certificates/prescriptions, military records, and other objective evidence).
- **Why it matters:** Individuals with cross-border mobility (executives, expatriates, frequent travelers) should maintain consistent documentation to support their tax residency position and mitigate disputes during audits or assessments.

### NTS: “Timing selection” for regular tax audits (up to 3-months adjustment)

The National Tax Service (NTS) announced a measure allowing taxpayers to adjust the timing of regular tax audits by up to three months, aiming to reduce operational disruption and improve predictability.

- **Core feature:** Upon notice of a regular audit, taxpayers may select a preferred audit window within a three-month range.
- **Scope:** The flexibility generally applies to regular audits; non-regular audits involving clear indications of tax evasion may be excluded.
- **Practical implication:** Companies can align audit timing with closing/audit/AGM calendars, but should proactively address common risk areas and data requests in advance.

HR & payroll update

## Key updates to payroll, national pension, and withholding tax rules in 2026

In 2026, several payroll-related regulatory changes will take effect, including adjustments to the National Pension base salary limits, expansion of tax-exempt childcare allowances, and revisions to the simplified withholding tax table for employment income.



## HR & payroll updates

# Key updates to payroll, National Pension, and withholding tax rules in 2026

### Adjustment in National Pension base salary (effective from July 2026)

The upper and lower limits of the national pension standard monthly income are adjusted every July by linking the annual average of the average monthly income of all business and local subscribers to the rate of change. Upper/lower limit of National Pension base salary will change as below table.

- Enforcement Decree of the National Pension Act, Article 4 (Method of calculation of average monthly income), Article 5 (Standard monthly income and application period)

NP base salary	July 2025 - June 2026	Jul 2026 - Jun 2027
Lower limit (Insurance premiums)	KRW 400,000 (KRW 18,000)	KRW 410,000 (KRW 19,000)
Upper limit (Insurance premiums)	KRW 6,370,000 (KRW 302,570)	KRW 6,590,000 (KRW 313,020)

### Revision of the simplified tax rate table for employment income (Effective 1 March 2026)

If a taxpayer has eligible dependents who are children aged 8 to 20, the tax amount is calculated by adding the amounts listed below for each child to the amount specified in the simplified tax table for earned income. (However, if the result of applying these deductions is a negative amount, the tax is treated as 0.)

1	KRW 12,500	KRW 20,830
2	KRW 29,150	KRW 45,830
3 or more	KRW 29,160 + KRW 25,000 per child exceeding 2	KRW 45,830 + KRW 33,330 per child exceeding 2

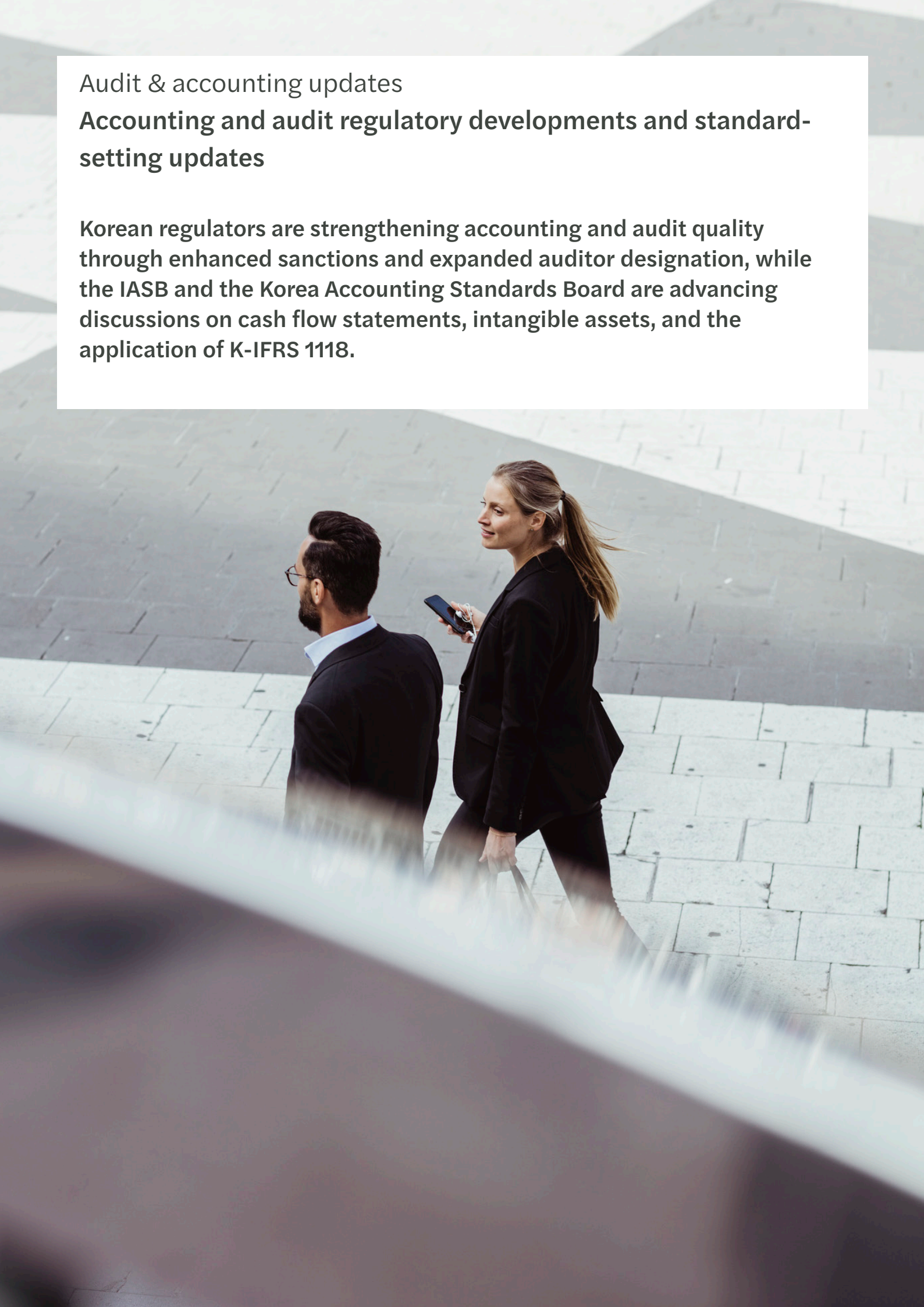
To alleviate the financial burden of raising children based on the number of children, the tax-exempt limit for childcare allowances paid to employees has been expanded from KRW 200,000 per employee per month to KRW 200,000 per child per month. As a reminder from January 1, 2026, the following changes will apply.

Category	As-is	To be
Tax-exempt limit	KRW 200,000 per employee	KRW 200,000 per child

Audit & accounting updates

## **Accounting and audit regulatory developments and standard-setting updates**

**Korean regulators are strengthening accounting and audit quality through enhanced sanctions and expanded auditor designation, while the IASB and the Korea Accounting Standards Board are advancing discussions on cash flow statements, intangible assets, and the application of K-IFRS 1118.**



## Audit updates

# Recent Regulatory Developments in Accounting and Audit Quality Enhancement

The Financial Services Commission (FSC) and the Financial Supervisory Service (FSS) in Q1 2026 announced a set of measures titled “Plans to Enhance Accounting and Audit Quality”. These measures are intended to strengthen the prevention of accounting fraud and improve the effectiveness of external audits and represent follow-up actions aimed at reinforcing the overall accounting and audit regulatory framework.

The announced measures include initiatives that may have implications for both companies and accounting firms. They focus on enhancing the effectiveness of sanctions against accounting misconduct and reinforcing institutional mechanisms to

## Expansion of Mandatory Auditor Designation for Large Non-listed Companies with Unstable Governance

Regulators have proposed expanding the scope of mandatory auditor designation for certain companies where auditor independence or audit effectiveness may be compromised.

### Background

For listed companies, mandatory auditor designation has already been applied based on factors such as potential instability in governance. However, in the case of non-listed companies, concerns have been raised that external audit independence may not be sufficiently ensured even when there are frequent changes in controlling shareholders or incidents of embezzlement or breach of trust involving executives or employees.

### Details

- **Scope of application:** Large non-listed companies meeting certain criteria - such as repeated changes in controlling shareholders within the past three years or the occurrence of embezzlement or breach of trust above a specified threshold - may become subject to mandatory auditor designation, taking into account the need to secure auditor independence and audit effectiveness.
- **Applicable thresholds and criteria:** The asset size criteria are under review to be aligned with the existing periodic designation standards for listed companies. Detailed criteria and requirements are expected to be finalized through forthcoming amendments to relevant laws and regulations.
- **Purpose and implications:** The expansion aims to mitigate regulatory gaps between listed and unlisted companies and address potential blind spots in accounting transparency. Companies that fall within the expanded scope may experience changes in auditor appointment procedures, audit fees, and audit response frameworks, and should closely monitor regulatory developments.

## Audit updates

# Recent Regulatory Developments in Accounting and Audit Quality Enhancement

### Strengthening sanctions against accounting fraud and deficient audits

The authorities emphasized that accounting fraud and deficient audits are among the primary factors undermining confidence in capital markets. Accordingly, the regulatory framework is being revised to enhance the effectiveness of sanctions and oversight.

#### Enhanced Sanctions on Individuals Responsible for Accounting Fraud

- **Expansion of responsible parties:** Sanctions may apply not only to executives who directly commit or lead accounting fraud, but also to individuals who effectively direct or instruct such misconduct, even without holding formal executive titles.
- **Restriction on serving as officers of listed companies:** Where misconduct is determined to be intentional, responsible individuals may be restricted from serving as officers of listed companies for a specified period (up to five years). Listed companies will be prohibited from appointing or retaining such restricted individuals as officers.
- **Strengthening enforcement effectiveness:** If restrictions are violated, sanctions may be imposed not only on the individuals concerned but also on companies that appoint or retain restricted individuals, including administrative penalties.

#### Enhanced Supervision of Deficient Audits

- **Monitoring insufficient audit hours:** Where audit hours are significantly lower than expected without reasonable grounds, such cases may be regarded as having a heightened risk of deficient audits. These cases will be prioritized for financial statements reviews or accounting firm inspections.
- **Post-inspection measures:** If deficiencies are confirmed, regulators may require mandatory auditor replacement (designation) and conduct further reviews of the company's financial statements to assess the appropriateness of accounting treatment.
- **Reinforcement of sanctions for audit quality deficiencies:** Where registered accounting firms fail to maintain required quality control systems, enforcement measures beyond the existing point-based exclusion mechanism - such as audit restrictions or suspension of operations - are being considered, depending on the severity of the violations.



## Accounting updates

# Updates on IASB Projects of Cash Flow Statements and Intangible Assets, and Practical Discussions on K-IFRS 1118

The International Accounting Standards Board (IASB) has recently shared progress on several ongoing projects, including those related to cash flow statements and intangible assets. In South Korea, practical discussions are underway at the Korea Accounting Standards Board (KASB) regarding issues that may arise in applying K-IFRS 1118 “Presentation and Disclosure in Financial Statements.”

### IASB Discussions on Cash Flow Statements

The IASB has discussed transitioning the Cash Flow Statements and Related Matters project from the research phase to the standard-setting phase. This reflects feedback from financial statements users that, although cash flow information is critical for decision-making, the current requirements do not always provide sufficient comparability or usefulness.

Specific amendments have not yet been proposed, and exposure drafts are expected to be developed following further deliberations.

- **Enhancing consistency in classification of operating, investing, and financing cash flows:** In response to concerns that differences in the classification of cash flows across entities undermine comparability, the IASB is considering the need to clarify and promote more consistent application of the classification criteria for operating, investing, and financing activities. Discussions are focused on reducing diversity in practice by addressing differing interpretations of the nature of specific transactions.
- **Clarification of disclosure content and presentation of non-cash transactions:** In response to concerns that information about transactions not involving cash inflows or outflows is not being sufficiently communicated to users of financial statements, discussions are underway to clarify both the scope of disclosures related to non-cash transactions and their presentation location. This is expected to strengthen the linkage between the statement of cash flows and the accompanying notes.
- **Refining Classification Criteria for Business Combination Payments, Derivative Transactions, and Government Grants:** As items such as payments in business combinations, settlements of derivatives, and receipts of government grants frequently require significant judgments in cash flow classification, the IASB is reviewing the necessity of establishing more consistent classification criteria. The primary objective of these discussions is to enhance the comparability of cash flow information across entities by clarifying classification standards.
- **Promoting a consistent interpretation of the definition and application of cash equivalents:** Given that the definition and application of cash equivalents have been interpreted differently across entities, the IASB is considering ways to promote a more consistent interpretation of the scope and characteristics of cash equivalents. This initiative aims to enhance the reliability and comparability of information related to cash and cash equivalent balances.

## Accounting updates

# Updates on IASB Projects of Cash Flow Statements and Intangible Assets, and Practical Discussions on K-IFRS 1118

### IASB Discussions on Intangible Assets

The IASB is reviewing whether the current accounting for intangible assets remains appropriate given significant changes in business models, particularly in digital and technology-driven environments. Questions have been raised as to whether existing recognition and measurement principles adequately reflect transactions such as cloud computing arrangements and agile software development. No decisions have yet been made regarding entity-specific guidance; discussions remain focused on principle-based improvements applicable across a broad range of intangible assets.

- **Cloud computing arrangements - distinguishing between service contracts and assets, and assessing whether the customer controls an asset:** In cloud computing arrangements, the accounting treatment may differ depending on whether the customer controls a specific asset or merely receives services. The IASB is considering whether the existing guidance provides sufficient clarity for determining whether such arrangements give rise to an intangible asset or represent a service contract. In particular, a key focus of the discussions is the assessment of whether an identifiable economic resource controlled by the customer exists.
- **Agile software development - practical application of the distinction between the research and development phases:** Agile software development involves iterative and ongoing improvements and updates, which has given rise to concerns about the practical application of the clear distinction between the research phase and the development phase as required by existing standards. In response, the IASB is examining whether the current phase-based distinction remains appropriate for software developed using agile methodologies.
- **Data and artificial intelligence (AI) - related assets - assessing whether they can be accommodated within existing intangible asset requirements:** As investments in data resources and artificial intelligence (AI) - related activities continue to increase, interest has grown in whether such items can be recognized as intangible assets. The IASB is considering whether these assets meet the definition and recognition criteria for intangible assets under existing standards, or whether their characteristics can be adequately addressed within the current accounting framework.

## Accounting updates

# Updates on IASB Projects of Cash Flow Statements and Intangible Assets, and Practical Discussions on K-IFRS 1118

### Practical Discussions on K-IFRS 1118

Ahead of the adoption of K-IFRS 1118 “Presentation and Disclosure in Financial Statements,” the Implementation Support Task Force has discussed practical issues related to the classification of income and expenses in consolidated financial statements. In particular, discussions have centered on how to determine an entity’s principal operating activities from a consolidated perspective and how financial investment income should be classified accordingly. These discussions are intended to support consistent application and do not constitute authoritative interpretations of the standard.

#### Key issues discussed

- Whether, when investment in financial assets is considered a principal operating activity at the consolidated entity level, all investment income generated by subsidiaries should be classified within the operating category.
- Whether financial investments undertaken to support principal operating activities should be distinguished from investments related to liquidity management or ancillary purposes, with different categories applied based on the nature and purpose of the investment.

#### Summary of discussion outcomes

- The majority view was that, rather than assessing all investments in financial assets as a single category, it is more appropriate to distinguish investment assets based on shared characteristics such as the nature of the assets, the purpose for holding them, and the expected investment returns. Under this approach, only income and expenses arising from investments that form part of the reporting entity’s primary business activities would be classified within the operating category.
- It was also emphasized that the assessment of an entity’s primary business activities should be made from the perspective of the reporting entity - that is, the consolidated group - and should be based on facts and circumstances rather than mere assertions. Furthermore, where the outcome of such an assessment changes, disclosure of the nature of the change and its financial effects would be required.

Korean insights

## C-suite barometer 2026: Global and Korean outlook

Forvis Mazars has released the 2026 C-suite barometer, based on a survey of more than 3,000 business leaders across 40 countries.



## Korean insights

### C-suite barometer 2026: Global and Korean outlook

Each year, our C-suite barometer gives us a useful snapshot of business leaders' sentiment. Looking at this year's Korean results, we note that Korean executives have a different perspective from their global peers, with an outlook characterized by greater caution and measured realism.

When we speak with CEOs and CFOs across Korea, we do hear this caution along with a strong awareness of risk. That comes through clearly in this survey. Compared with our global sample, fewer Korean leaders describe themselves as very confident about growth. And when they do expect growth, they tend to describe it carefully, not enthusiastically. The figures are quite striking: only 64% of Korean respondents expect growing their top line in 2026 vs. 92% of global executives; this is a decrease of 28 percentage points compared to last year. Moreover, only 9% of Korean C-suite executives say they are very confident in their ability to manage key global trends, versus 43% globally.

That difference is quite remarkable but not so surprising.

As Korea is relying heavily on exports, any global uncertainty, such as the foreign currencies' volatility and tariffs discussions, have a substantial impact on its economy. While export performance has improved, it is largely driven by semiconductors, whereas companies in more traditional industries, such as manufacturing or construction, continues to struggle. Only 44% of Korean C-suite leaders are confident that their firms can manage tariff-driven costs, with just 4% being "very" confident. This compares with 88% of global executives expressing confidence, including 44% who are "very" confident. Intensifying competition from Chinese players is another factor contributing to this restrained optimism.

So, in such an environment, Korean executives are focusing on fundamentals, prioritizing margin protection and operational efficiency. Compared to their global peers, their investments plan is somewhat subdued. This explains also the more cautious geographical expansion plan. As many as 42% of Korean respondents have no international expansion plans, to be compared with a global average of 16%. The United States, Japan and China remain attractive for Korean businesses, with

more than 30% of respondents planning to expand to one of these locations. And although Korean businesses are trying to diversify their markets to be less dependent on the U.S., only two countries from Europe, UK and Germany, are among the top 10 countries they consider expanding.

A similar conservatism applies to technology and AI. Although there is broad recognition that AI matters, the actual scope of implementation seems less ambitious in Korea compared to other countries. Only 36% of Korean respondents mentioned that their company had restructured their teams to implement AI (vs. 80% globally), with fewer cases where AI is replacing jobs in business (17% vs. 29% globally). The investments are also expected to be lower in Korea compared to global peers. We believe many leaders are still working through practical questions: where it pays off, how to integrate it, and how to manage the cost and risk, hence a focus on how AI can optimize business.

This realism contrasts somewhat with Korea's strong individual adoption of generative AI. According to OpenAI, a few months ago, Korea ranked second globally among paid ChatGPT users. However, our everyday basic use differs significantly from complex, enterprise-wide AI use. This cautious stance may also be linked to concerns around data management. Only 14% of Korea C-suite executives say their company's data are "completely" protected - down 26 percentage points from 2025 - compared with 40% globally.

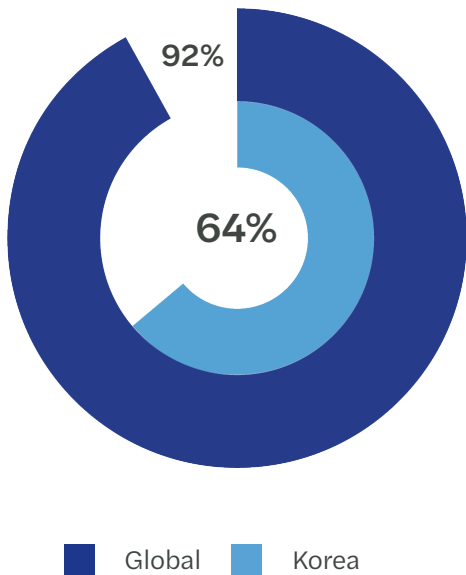
Overall, this year's Korean barometer paints a picture of executives that are well aware of their operating environment and focused on resilience. At a time when global optimism is returning quickly, Korean leaders are choosing a more measured path. They may indeed prepare themselves for future uncertainty and business turbulence. Uncertainties being the norm, what is clear is that success will rest on businesses' capacity to adapt, in order to meet their ambitions.



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# Korean insights

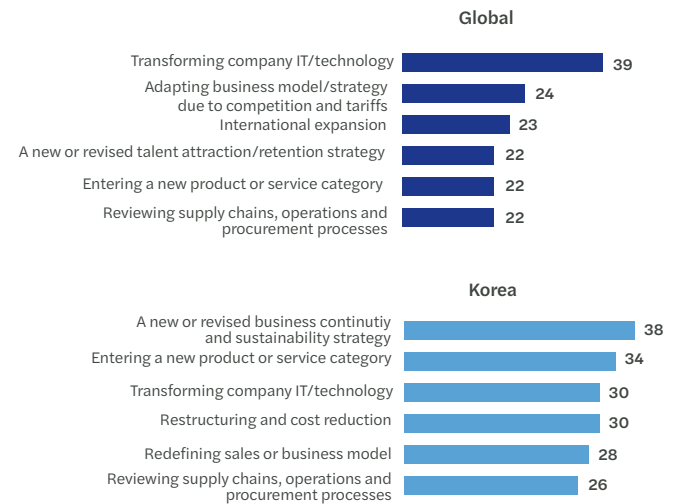
## C-suite barometer 2026: Global and Korean outlook



C-suite executives have a positive growth outlook for their organisation in 2026.

### Strategic priorities on the executive agenda in the next 3-5 years

Percent of respondents



### Confidence index

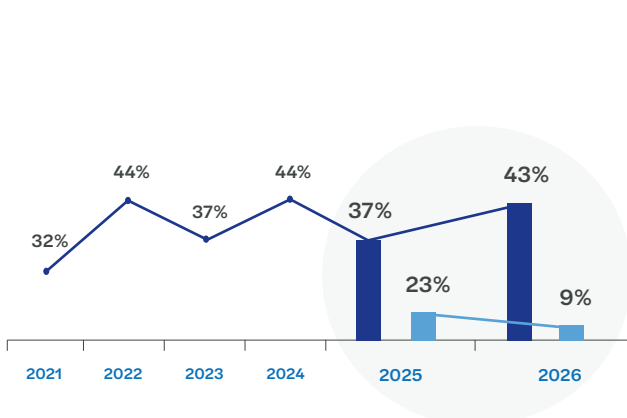
Global

2021	2022	2023	2024	2025	2026
32%	44%	37%	44%	37%	43%

Korea

2021	2022	2023	2024	2025	2026
-	-	-	-	23%	9%

Average % "very confident" their organisation is prepared across all relevant trends



### Investment index

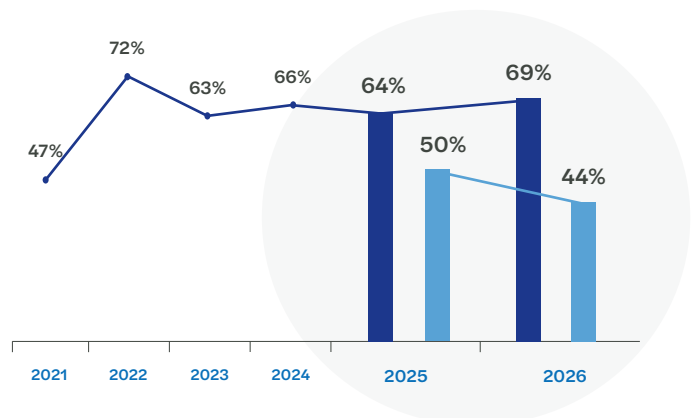
Global

2021	2022	2023	2024	2025	2026
47%	72%	63%	66%	64%	69%

Korea

2021	2022	2023	2024	2025	2026
-	-	-	-	50%	44%

Average % increasing investment across all fields



# C-suite barometer 2026 Global and Korean outlook

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## Key figures

### Tax rates & social insurances rates

Aggregate income taxation standard	Tax rate*	Taxable income	Applicable rate*
Below KRW 14 million	6.6%	Amount below KRW 200 million	11%
KRW 14 million ~ below KRW 50 million	16.5%	Amount exceeding KRW 200 million ~ below KRW 20 billion	22%
KRW 50 million ~ below KRW 88 million	26.4%	Amount exceeding KRW 20 billion ~ below KRW 300 billion	24.2%
KRW 88 million ~ below KRW 150 million	38.5%	Amount exceeding KRW 300 billion	27.5%
KRW 150 million ~ below KRW 300 million	41.8%		
KRW 300 million ~ below KRW 500 million	44%		
KRW 500 million ~ below KRW 1 billion	46.2%		
Above KRW 1 billion	49.5%		

\*Including local income tax

\*Including local income tax

Social insurance	Employment portion	Employee portion
Health insurance and long-term care insurance	4.1%	4.1%
National pension	4.75%	4.75%
Employment insurance	0.9% + (0.25% ~ 0.85%)	0.9%
Industrial accident compensation insurance	0.7% ~ 18.6%	-
<b>Total</b>	<b>About 10.6% ~ 28.6% of wage</b>	<b>About 9.75% of wage</b>

Premium rate introduced in this table may vary depending on the situation. Besides, upper limitation is set for some contributions.

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