

USFK REGULATION 37-25

FINANCIAL ADMINISTRATION (37)

Payroll Deductions from Korean National Employees

06 May 1994

UNCLASSIFIED

EAIM LIBRARY
REFERENCE SET

HQ USFK/EUSA
ATTN: EAIM-R-PM
UNIT #15236
APO AP 96205-0009

USFK Reg 37-25
C2

HEADQUARTERS
UNITED STATES FORCES, KOREA
UNIT #15237
APO AP 96205-0010

Change No. 2
USFK Regulation
No. 37-25

25 August 1994

Financial Administration
PAYROLL DEDUCTIONS FROM KOREAN NATIONAL EMPLOYEES

1. USFK Reg 37-25, 6 May 1994, is changed as follows:

Page 7-7, paragraph 7-7, INCOME DEDUCTION. Add subparagraph i after subparagraph 7-7h.

i. Income deduction for the Private Pension Savings Plan (PPSP). This deduction applies to an employee who participates in the PPSP.

(1) The deductible amount is 40 percent of the total deposits during the current tax year or W720,000 per tax year, whichever is less.

(2) The servicing payroll offices will deduct the appropriate amount for PPSP from employee's adjusted earned income based on certificates of deposit submitted by each participant prior to the final payment at close of the tax year or upon separation.

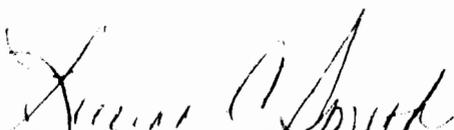
2. Post this change per DA Pam 310-13.

3. File this change in front of the publication.

The proponent of this regulation is the Office of the 175th Theater Finance Command. Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) to the Commander, USFK, ATTN: EAFK-AP, Unit #15237, APO AP 96205-0010.

FOR THE COMMANDER:

OFFICIAL:


LILLIAN C. SMITH
Lieutenant Colonel, USA
Assistant Adjutant General

WILLIAM W. CROUCH
Lieutenant General, USA
Chief of Staff

USFK Reg 37-25
C2

DISTRIBUTION:

B

SPECIAL DISTRIBUTION:

- 5 - OCPD, ATTN: FKCP, Unit #15237, APO AP 96205-0009
- 25 - FKAQ
- 2 - 34th Spt Gp, ATTN: EANC-SA-CP, Unit #15333, APO AP 96205-0177
- 2 - 20th Spt Gp, ATTN: EANC-T-CP, Unit #15494, APO AP 96218-0562
- 2 - 501st Corps Spt Gp, ATTN: EANC-YGT-CP, Unit #15303,
APO AP 96258-0076
- 2 - 23rd Spt Gp, ATTN: EANC-HG-CP, Unit #15228, APO AP 96271-0164
- 2 - 501st MI Bde, ATTN: CPO, Unit #15282, APO AP 96205-0055
- 2 - Central CPO, 51MSSQ, ATTN: MSC, Unit #2056, APO AP 96278-5280
- 2 - Kunsan Branch CPO, 8MSSQ, ATTN: MSCK, Unit #5216,
APO AP 96264-5000
- 2 - KSC, ATTN: EAKS-P, Unit #15284, APO AP 96205-0057
- 2 - KOSA, ATTN: KOSA-PE, Unit #15555, APO AP 96205-0003
- 2 - Dragon Hill Lodge, ATTN: Director of Personnel, Unit #15335,
APO AP 96205-0427
- 30 - 175th TFC, ATTN: EAFC-AP, Unit #15300, APO AP 96205-0073
- 15 - 175th TFC, ATTN: EAFC-CPA-FN, Unit #15300, APO AP 96205-0073
- 5 - 175th TFC, ATTN: EAFC-CAO, Unit #15300, APO AP 96205-0073
- 5 - USAKSC, ATTN: EAKS-F, APO AP 96205-0057
- 5 - KOSA, ATTN: FA-PR, Unit #15606, APO AP 96205-0433
- 5 - 607th AFS/FMFV, APO AP 96278-5000
- 5 - 51st MWRSS/MWF, ATTN: NAFFMO, APO AP 96278-5000
- 5 - 8th MWRSS/MWF, ATTN: NAFFMO, APO AP 96264-5000
- 5 - Supply Ofc, COMFFLEACT, Chinhae PSC 479, FPO AP 96269-1100
- 2 - COMNAVFORKOREA, Navy Club, Unit #15250, APO AP 96205-0023
- 2 - MWRF(10293), Chief Mess, HQ JUSMAG-K, Box 88, Unit #15339
APO AP 96203-0187
- 2 - 51 COBSS/PA&E, Unit #2117, (Osan), APO AP 96278-2117
- 2 - Merchants National Bank, Ltd., Unit #15554, APO AP 96205-0004
- 2 - EUSA Milk Plant, APO AP 96205-0011
- 2 - Pacific Stars & Stripes, Korea, Unit #15334, APO AP 96205-0423
- 2 - Thomas J. Davis Inc/Jungil Assoc, USAEDFE, Unit #15546
APO AP 96205-0610
- 2 - AMKOR, A&E Inc, USAFEDE, Box 158, Unit #15546, APO AP 96205-0610
- 2 - USA Federal Credit Union, Seoul Branch, APO AP 96205
- 2 - USO, APO AP 96204-0053
- 2 - American Red Cross, Unit #15272, APO AP 96205-0045
- 2 - Central Texas College, APO AP 96205
- 2 - University of Maryland, Yongsan Education Center, Unit #15556
APO AP 96205-0614
- 2 - Balentines SBC, PSC 450, Box 460, APO AP 96206-0460
- 2 - Int'l Electronics Corp, HHC, 1st Sig Bde, Unit #15271,
APO AP 96205-0044
- 1 - HQ CLM, UNC UN Compound, APO AP 96204-0090
- 1 - HQ PACAF/FMF, Hickam AFB, Hawaii 96853-5000
- 89 - PPCK
- 8 - FKJ6-R-PM (Editing)

REFEREN
USFK/USA
EAF-AP
96205-0010

USFK Reg 37-25
C1

HEADQUARTERS
UNITED STATES FORCES, KOREA
UNIT #15237
APO AP 96205-0010

8 July 1994

Change No. 1
USFK Regulation
No. 37-25

Financial Administration
PAYROLL DEDUCTIONS FROM KOREAN NATIONAL EMPLOYEES

1. USFK Reg 37-25, 6 May 1994, is changed as follows:

Remove the following pages--

Insert the following pages--

D-1
D-2

D-1
D-2

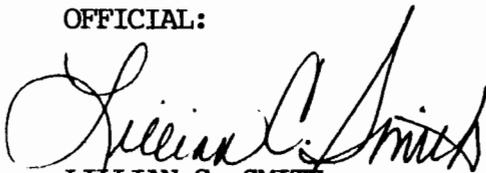
2. Post this change per DA Pam 310-13.

3. File this change in front of the publication.

The proponent of this regulation is the Office of the 175th Theater Finance Command. Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) to the Commander, USFK, ATTN: EAFC-AP, Unit #15237, APO AP 96205-0010.

FOR THE COMMANDER:

OFFICIAL:


LILLIAN C. SMITH
Lieutenant Colonel, USA
Assistant Adjutant General

WILLIAM W. CROUCH
Lieutenant General, USA
Chief of Staff

Appendix

D. Summary of Changes

DISTRIBUTION:

B

USFK Reg 37-25

C1

SPECIAL DISTRIBUTION:

- 5 - OCPD, ATTN: FKCP, Unit #15236,
APO AP 96205-0009
- 25 - FKAQ
- 2 - 34th Spt Gp, ATTN: EANC-SA-CP
Unit #15333, APO AP 96205-0177
- 2 - 20th Spt Gp, ATTN: EANC-T-CP
Unit #15494, APO AP 96218-0562
- 2 - 501st Corps Spt Gp, ATTN: EANC-YGT-CP, Unit #15303, APO AP 96258-0076
- 2 - 23rd Spt Gp, ATTN: EANC-HG-CP, Unit #15228, APO AP 96271-0164
- 2 - 501st MI Bde, ATTN: CPO, Unit #15282, APO AP 96205-0055
- 2 - Central CPO, 51MSSQ, ATTN: MSC, Unit #2056, APO AP 96278-5280
- 2 - Kunsan Branch CPO, 8MSSQ, ATTN: MSCK, Unit #5216, APO AP 96264-5000
- 2 - KSC, ATTN: EAKS-P, Unit #15284, APO AP 96205-0057
- 2 - KOSA, ATTN: KOSA-PE, Unit #15555, APO AP 96205-0003
- 2 - Dragon Hill Lodge, ATTN: Director of Personnel, Unit #15335,
APO AP 96205-0427
- 30 - 175th TFC, ATTN: EAFC-AP, Unit #15300, APO AP 96205-0073
- 15 - 175th TFC, ATTN: EAFC-CPA-FN, Unit #15300, APO AP 96205-0073
- 5 - 175th TFC, ATTN: EAFC-CAO, Unit #15300, APO AP 96205-0073
- 5 - USAKSC, ATTN: EAKS-F, APO AP 96205-0057
- 5 - KOSA, ATTN: FA-PR, Unit #15606, APO AP 96205-0433
- 5 - 607th AFS/FMFV, APO AP 96278-5000
- 5 - 51st MWRSS/MWF, ATTN: NAFFMO, APO AP 96278-5000
- 5 - 8th MWRSS/MWF, ATTN: NAFFMO, APO AP 96264-5000
- 5 - Supply Ofc, COMFFLEACT, Chinhae PSC 479, FPO AP 96269-1100
- 2 - COMNAVFORKOREA, Navy Club, Unit #15250, APO AP 96205-0023
- 2 - MWRF(10293), Chief Mess, HQ JUSMAG-K, Box 88, Unit #15339
APO AP 96203-0187
- 2 - 51 COBSS/PA&E, Unit #2117, (Osan), APO AP 96278-2117
- 2 - Merchants National Bank, Ltd., Unit #15554, APO AP 96205-0004
- 2 - EUSA Milk Plant, APO AP 96205-0011
- 2 - Pacific Stars & Stripes, Korea, Unit #15334, APO AP 96205-0423
- 2 - Thomas J. Davis Inc/Jungil Assoc, USAEDFE, Unit #15546
APO AP 96205-0610
- 2 - AMKOR, A&E Inc, USAFEDE, Box 158, Unit #15546, APO AP 96205-0610
- 2 - USA Federal Credit Union, Seoul Branch, APO AP 96205
- 2 - USO, APO AP 96204-0053
- 2 - American Red Cross, Unit #15272, APO AP 96205-0045
- 2 - Central Texas College, APO AP 96205
- 2 - University of Maryland, Yongsan Education Center, Unit #15556
APO AP 96205-0614
- 2 - Balentines SBC, PSC 450, Box 460, APO AP 96206-0460
- 2 - Int'l Electronics Corp, EHC, 1st Sig Bde, Unit #15271,
APO AP 96205-0044
- 1 - HQ CLM, UNC UN Compound, APO AP 96204-0090
- 1 - HQ PACAF/FMF, Hickam AFB, Hawaii 96853-5000
- 89 - PECK
- 8 - FKJ6-R-PM (Editing)

EAIM LIBRARY
REFERENCE SET

*USFK Reg 37-25

HQ USFK/EUSA
ATTN: EAIM-R-PM
UNIT #15236
APO AP 96205-0009

HEADQUARTERS
UNITED STATES FORCES, KOREA
UNIT #15237
APO AP 96205-0010

USFK Regulation
No. 37-25

6 May 1994

(Effective 6 June 1994)
Financial Administration
PAYROLL DEDUCTIONS FROM KOREAN NATIONAL EMPLOYEES

SUPPLEMENTATION. Issue of further supplements to this regulation by subordinate commands is prohibited unless prior approval is obtained from HQ USFK, ATTN: EAFC-AP, Unit #15300, APO AP 96205-0073.

CONTENTS

	<u>Paragraph</u>	<u>Page</u>
CHAPTER 1 INTRODUCTION		
Purpose.....	1-1	1-1
Applicability.....	1-2	1-1
References.....	1-3	1-1
Explanation of Abbreviations and Special Terms....	1-4	1-1
Responsibilities.....	1-5	1-1
Policies.....	1-6	1-2
Priority of Withholding.....	1-7	1-2
CHAPTER 2 ASSIGNMENT OF NET PAY		
Authority.....	2-1	2-1
Eligibility.....	2-2	2-1
Authorization Form.....	2-3	2-2
Financial Organizations.....	2-4	2-3
Remittance Record.....	2-5	2-4
Remittance of Funds.....	2-6	2-5
CHAPTER 3 KOREAN NATIONAL PENSION PREMIUMS		
Authority.....	3-1	3-1
Eligibility.....	3-2	3-1
Amounts of Premiums.....	3-3	3-2
Remittance of Premiums.....	3-4	3-2
Report of Total Wages.....	3-5	3-3
CHAPTER 4 MEDICAL INSURANCE PREMIUMS		
Authority.....	4-1	4-1
Eligibility.....	4-2	4-1

*This regulation supersedes USFK Reg 37-25, 29 October 1991.

	<u>Paragraph</u>	<u>Page</u>
Amounts of Premiums.....	4-3	4-1
Remittance of Premiums.....	4-4	4-1
CHAPTER 5 RETIREMENT INSURANCE SAVINGS INSTALLMENTS		
Authority.....	5-1	5-1
Retirement Insurance Savings Plan.....	5-2	5-1
Payroll Deduction of Installments.....	5-3	5-1
Remittance Record.....	5-4	5-1
CHAPTER 6 VOLUNTARY UNION DUES ALLOTMENT		
Authority.....	6-1	6-1
Eligible Employees.....	6-2	6-1
Union Dues Deduction.....	6-3	6-2
Remittance of Dues.....	6-4	6-2
Voucher Transactions.....	6-5	6-3
CHAPTER 7 WITHHOLDING TAXES		
Authority.....	7-1	7-1
Responsibilities.....	7-2	7-1
Preparation of Forms.....	7-3	7-2
Submission of Forms.....	7-4	7-2
Determination of Withholding Allowances.....	7-5	7-3
Necessary Expense Deductions.....	7-6	7-3
Income Deductions.....	7-7	7-6
Tax Credits.....	7-8	7-8
Income Subject to Withholding Tax.....	7-9	7-9
Income Not Subject to Withholding Tax.....	7-10	7-10
Income Tax Rates.....	7-11	7-10
Income Tax Formulas.....	7-12	7-11
Local Tax Rates.....	7-13	7-12
National Tax Remittance.....	7-14	7-12
Local Tax Remittance.....	7-15	7-12
Accounting for Withheld Taxes.....	7-16	7-13
Year-end Reconciliation of Tax Liability.....	7-17	7-13
Reconciliation Formulas.....	7-18	7-14
Computation of Taxes on Severance Pay.....	7-19	7-15
Taxes on Severance Pay.....	7-20	7-16
Income Tax Table.....	7-21	7-16
5 Appendixes		
A. References.....		A-1
B. Format of a Tax Withholding Certificate.....		B-1
C. Format for Summary of Local Tax Withheld.....		C-1
D. Summary of Changes - KN Income Tax for CY 1993.....		D-1
E. Summary of Changes - KN Income Tax for CY 1994.....		E-1
GLOSSARY.....		Glossary-1

CHAPTER 1**INTRODUCTION**

1-1. PURPOSE. This regulation assigns responsibilities, establishes policies, and prescribes procedures for withholding Korean taxes, payroll deduction of allotments, and assignments of net pay for Korean National (KN) employees under jurisdiction of the Commander, United States Forces, Korea (USFK)..

1-2. APPLICABILITY. This regulation applies to all USFK organizational elements, activities, and components having responsibility for processing pay of USFK KN employees including all appropriated fund (APF) and nonappropriated fund (NAF) activities, Korea Support Activity (KOSA), United States Army Korean Service Corps (USAKSC), type 1 private organizations (PO), and USFK invited contractors.

1-3. REFERENCES. Required and related publications are listed in appendix A.

1-4. EXPLANATION OF ABBREVIATIONS AND SPECIAL TERMS. Abbreviations and special terms used in this regulation are explained in the glossary.

1-5. RESPONSIBILITIES.

a. Commanders of Eighth United States Army (EUSA) units, United States Air Force units in Korea, and United States Naval Forces units in Korea are responsible for implementation of this regulation within all activities and organizations under their control.

b. The Commander, 175th Theater Finance Command (TFC), is responsible for the development and publication of this regulation and ensuring that the Centralized Pay and Accounting Office, 175th TFC complies with the provisions of this regulation.

c. The following EUSA staff elements have specific responsibilities as indicated:

(1) The Assistant Chief of Staff, J3, exercises staff supervision over the USAKSC and ensures compliance with the provisions of this regulation.

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

(3) The Office of the Civilian Personnel Director (OCPD) is responsible for policy matters involving entitlement to compensation and

USFK Reg 37-25

benefits, leave for KN employees, and final interpretations on the provisions prescribed in USFK Reg 690-1. OCPD serves as the principal point of contact with activities concerning the KN pension plan and the medical insurance program.

d. The servicing civilian personnel office (CPO) and its components including all APF and NAF activities, KOSA, USAKSC, type 1 POs and all invited contractors are responsible for processing entitlement of pay, benefits, and leave, and will comply with the applicable provisions of this regulation.

e. All USFK employers are responsible for assignments of net pay, withholding Korean taxes, allotments authorized by KN employees in accordance with (IAW) the provisions of this regulation, and indebtedness due the United States (U.S.) (i.e., erroneous payments, government property lost or damaged, hospital charges in case of emergency, and delinquent unused travel advances). The policies and procedures for collection on debts due the U.S. are contained in AR 37-105, chapter 18. Wages to be paid to employees are property of the U.S. government and are not subject to attachment by a court or any government agency of the Republic of Korea (ROK).

1-6. POLICIES. All civilian payroll certifying officers and employers having responsibility for processing the pay of KN employees are designated as withholding agents for the following Korean taxes and authorized allotments:

- a. The ROK income tax and local tax.
- b. KN pension premiums.
- c. Medical insurance premiums.
- d. Retirement insurance savings installments.
- e. Indebtedness.
- f. Union dues.

1-7. PRIORITY OF WITHHOLDING. If the gross pay of an employee is not enough for all deductions to be made, the following order of precedence will apply:

- a. ROK income tax and local tax.
- b. KN pension premiums.
- c. Medical insurance premiums.
- d. Retirement insurance savings installments.
- e. Indebtedness.
- f. Union dues.

CHAPTER 2

ASSIGNMENT OF NET PAY

2-1. AUTHORITY. The provisions of paragraph 2 of the Memorandum of Understanding between the USFK and the USFK Korean Employees Union (KEU), 8 October 1982, subject: Payroll Deduction of Retirement Insurance Savings Installments and Change of Payment Procedures.

2-2. ELIGIBILITY.

a. All KN employees are eligible to maintain a bank account with a financial organization participating in the bank account payment system.

(1) KN employees whose monthly regular pay is greater than W200,000 are eligible to maintain a checking or a passbook account.

(2) KN employees whose monthly regular pay is less than W200,000 or temporary employees hired for a period of less than 6 months are eligible to maintain only a passbook account.

b. All KN employees will personally establish a checking or a passbook account, as applicable, with one of the financial organizations identified in paragraph 2-4.

(1) KN eligible employees applying for a new checking account will obtain the applicable recommendation sheet from the servicing CPO and open a checking account with the designated financial organization.

(2) Newly hired KN employees will open a checking account or a passbook account with the selected financial organization at the time of processing employment with USFK, if they do not already have one.

c. The following KN employees will participate in the bank account payment system to send their regular pay, bonuses, and annual severance pay, to a financial organization for credit to the individual's checking account or passbook account.

(1) APF employees.

(2) USAKSC employees.

(3) NAF employees.

d. The following KN employees will participate in the bank account payment system to send their regular pay, bonuses, and annual severance pay, to a financial organization for credit to the individual's checking account or passbook account, if their payroll system is computerized.

(1) KOSA employees.

USFK Reg 37-25

- (2) Type 1 PO employees.
- (3) USFK invited contractor employees.

e. Employees serving and living in a remote location where a financial organization nearby is not available and employees whose monthly regular pay is less than W200,000 will be paid by individual Won check or cash as practicable.

2-3. AUTHORIZATION FORM.

a. USFK Form 98EK (Statement of Bank Designation and Checking Account) is the only form authorized for use by all KN employees to have their net pay sent to their designated financial organizations for credit to their individual account. All KN employees will complete USFK Form 98EK in duplicate and submit both copies to the servicing CPO. A copy of the employee's passbook which reflects the bank account number will be attached to the original USFK Form 98EK.

(1) The original copy of the USFK Form 98EK with the attached copy of the passbook, reflecting the bank account number, will be forwarded to the servicing payroll office by the servicing CPO.

(2) The duplicate will be filed in the employee's official personnel folder.

b. The servicing CPO will--

(1) Ensure that newly hired KN employees are instructed to open a bank account before the first day of employment.

(2) Prepare an applicable recommendation sheet obtained from the authorized financial organizations and provide the completed recommendation sheet to the KN employee applying for a new checking account.

(3) Review the completed USFK Form 98EK for accuracy and forward the original to the servicing payroll office.

(4) Provide the appropriate financial organization with a listing of separated KN employees within 3 workdays after the effective date of separation. The list will include name of KN employees, bank account number, ROK identification (ID) number, and effective date of separation.

(5) Assist new or temporary KN employees in the processing of checking or passbook accounts, as applicable, with their designated financial organizations.

2-4. FINANCIAL ORGANIZATIONS.

a. The following financial organizations, including their branch banks throughout the country, are authorized to participate in the bank account payment system for all eligible USFK KN employees:

- (1) Citizens National Bank, 9-1, 2-ka, Namdaemoon-ro, Chung-ku, Seoul.
- (2) Cho-Heung Bank, 14, 1-ka, Namdaemoon-ro, Chung-ku, Seoul.
- (3) Commercial Bank of Korea, 111-1, 2-ka, Namdaemoon-ro, Chung-ku, Seoul.
- (4) Korea Housing Bank, 61-1, 1-ka, Taepyong-ro, Chung-ku, Seoul.
- (5) National Agricultural Cooperative Federation, 75, 1-ka, Choongchong-ro, Chung-ku, Seoul.
- (6) Bank of Seoul and Trust Co., Ltd., 10-1, 2-ka, Namdaemoon-ro, Chung-ku, Seoul.
- (7) Small Medium Industry Bank, 36-1, 2-ka, Ulchee-ro, Chung-ku, Seoul.
- (8) Korea Exchange Bank, 10, Kwanchol-dong, Chung-ku, Seoul.
- (9) Han Il Bank, 76, Sokong-dong, Chung-ku, Seoul.
- (10) Korea First Bank, 52-1, 1-ka, Choongmu-ro, Chung-ku, Seoul.
- (11) Taegu Bank, 20-3, Namil-dong, Chung-ku, Taegu City.
- (12) Pusan Bank, 8, 1-ka, Sinchang-dong, Chung-ku, Pusan City.
- (13) Kyongki Bank, #1-27, Kuwol-dong, Namdong-ku, Inchon City (for payroll accounts serviced by Accounting and Finance Office, at Osan Air Base).

b. The financial organizations participating in the bank account payment system for all eligible KN employees will--

- (1) Provide forms required for opening a checking account and assist employees in completing the forms for the bank account.
- (2) Provide necessary arrangements for issuing a bank guarantee card or bank book, as appropriate.
- (3) Receive the funds and make deposits into the individual employee's account so that each employee will be able to withdraw funds beginning on the payday.

USFK Reg 37-25

(4) Make necessary arrangement for delivery of the monthly bank account statement and checkbook to employees.

(5) Provide a report of deposit to the servicing payroll office upon completion of the deposits. The report will indicate any incomplete deposits because of account discrepancies.

2-5. REMITTANCE RECORD. The servicing payroll office will--

a. Prepare the remittance records including the following information:

(1) The name of the servicing payroll office.

(2) The date of transmittal.

(3) The number of line items (payees).

(4) The name of employees.

(5) The bank account number.

(6) The amount of net pay.

(7) The pay period date.

(8) The financial organization name.

(9) The total amount of the payroll included on the remittance record.

b. Review carefully the USFK Form 98EK submitted by the servicing CPO for accuracy of the assigned bank account number before input into payroll records.

c. Consolidate all payrolls for payment to the same branch bank for each financial organization.

d. Prepare remittance records on a magnetic tape (MT) in Giro format and provide each bank with the completed MT a minimum of 2 working days before payday but not later than (NLIT) 1200 of the second day preceding the payday.

e. Prepare remittance record on USFK Form 120 (Payroll for Personnel Services (Continuation Sheet of DD Form 592)) in lieu of an MT for those employees whose payroll is not computerized. The completed USFK Form 120 must be provided to each financial organization NLIT close of bank business 3 working days before payday.

f. Furnish each employee with completed earnings statement or USFK Form 220 (Earnings and Leave Statement) before the established payday.

2-6. REMITTANCE OF FUNDS. The payroll funds in the amounts shown on the remittance records will be provided to the appropriate financial organization a minimum of 2 working days before payday but NOT 1200 of the second day preceding the payday. The funds will be in a banker's check (Ja Ki Up Su Pyo) issued by the USFK Won Depository Bank or the Bank of Korea.

CHAPTER 3

KOREAN NATIONAL PENSION PREMIUMS

3-1. AUTHORITY. On 8 December 1987, The Department of Defense granted approval for USFK implementation of the Korean National Pension Plan for USFK KN employees, effective 1 January 1988.

3-2. ELIGIBILITY. Effective 1 January 1988, all full-time KN employees, 18 through 59 years of age, are eligible for the KN Pension Plan except part-time employees, intermittent employees, full-time employees on temporary appointment of 3 months or less, and personal hire employees. Effective 1 January 1994, all permanent part-time employees (including part-time employees on appointments of 3 months or longer) whose age is under 60 as of 1 January 1994, are eligible for the plan.

a. The servicing CPO will--

(1) Determine eligibility of new KN employees and complete the applicable local forms IAW the instructions prescribed thereon or provided by the OCPD at the time of processing employment with USFK.

(2) Provide an original and one copy of the completed report of newly eligible employees to the servicing payroll office.

(3) Provide an original and one copy of the completed report of loss of eligibility to the servicing payroll office, when an eligible employee is separated from employment of USFK.

(4) Prepare an SF 50 (Notification of Personnel Action) on retirement of employees and submit the completed SF 50 to the servicing payroll office at least 2 months in advance.

(5) Report to the servicing payroll office only new hires and separations, including KN employees who are transferred from APF appointment to NAF appointment, or vice versa.

b. The servicing payroll office will--

(1) Ensure that all data completed on the applicable documents are correct, submit the original to the National Pension Corporation (NPC), and retain the duplicate in the payroll office. If the payroll office did not deduct the pension premiums as indicated in the notification by the CPO, the payroll office will indicate and certify the month in which the premiums should have been deducted and provide the corrected notification to the NPC.

(2) Make the appropriate amount of the pension premiums deductions from the eligible employee's pay.

(3) Account for the employer's contribution.

USFK Reg 37-25

(4) Provide the NPC a list of KN employees who are in a nonpay status for every reporting month, if applicable.

(5) Ensure that the withholding of pension premiums is stopped from the month prior to the employee's termination as indicated on the SF 50 by the servicing CPO. Withholding pension premiums for a retired employee ends the month prior to the employee's birth month of age 60.

3-3. AMOUNTS OF PREMIUMS. The amount to be withheld from an eligible KN employee's compensation for the KN pension premiums will be 1.5 percent of the employee's monthly standard wage from January 1988 until December 1992.

a. The employer's contributions toward payment of the pension premiums will be an amount equal to the premiums withheld from each eligible KN employee's compensation during January 1988 through December 1992.

b. The combined premiums during 1993 through 1997 (5 years) will be increased to 6 percent, with 2 percent paid by the employee, 2 percent paid by the employer, and the remaining 2 percent paid by the employer from the employee's severance pay account, which is then reduced by an equivalent amount at the time of the annual liquidation of severance pay. Part-time employees who are not eligible for severance pay will pay the entire 4 percent from the employees' pay.

c. Effective 1 January 1998, the total premium rate will increase to 9 percent. Of this, the employer will pay 3 percent of the employee's monthly standard wage, the KN employee will pay 3 percent, and the remaining 3 percent will be paid by the employer for the KN employees from the employee's severance pay account, which is then reduced by an equivalent amount at the time of annual liquidation of severance pay. Part-time employees who are not eligible for severance pay will pay the entire 6 percent from the employees' pay.

3-4. REMITTANCE OF PREMIUMS. The total amount of premiums will be deposited in the designated bank account of the NPC by the last day of the following month.

a. The remittance record prepared on an MT or on a listing will indicate the following information. The magnetic tape or the original of the remittance record completed each month will be furnished to the NPC by the last day of each month following the month in which the pay occurred.

- (1) Agency code.
- (2) Name of all eligible employees.
- (3) ROK ID number.

- (4) Pension grade.
- (5) Employee's share.
- (6) Employer's share.
- (7) Total premiums.
- (8) Payroll number.
- (9) Account number.

b. The total amount of pension premium deductions and contributions will be credited to the proper deposit fund account.

3-5. REPORT OF TOTAL WAGES. The servicing payroll office will prepare the report of total wages received by each eligible KN employee during the preceding year and submit the completed report to the NPC by 31 January each year IAW instructions provided by the OCPD. (This reporting requirement is exempt from the requirement control symbol assignment under AR 335-15, subpara 5-2i.)

CHAPTER 4

MEDICAL INSURANCE PREMIUMS

4-1. AUTHORITY. Medical insurance premiums' authority is USFK Reg 690-25. The medical insurance plan was implemented for all USFK eligible Korean employees effective with the beginning of the first pay period after 1 July 1980.

4-2. ELIGIBILITY. All full-time KN employees including APF and NAF activities, KOSA, USAKSC, type 1 PO, and USFK invited contractors, are eligible for the medical insurance plan except intermittent employees, full-time employees on temporary appointment of 3 months or less, and personal hire employees. Effective 1 June 1987, part-time employees are authorized to participate in the USFK medical insurance plan by sharing the medical insurance premium at the amount equivalent to a full-time employee.

a. An eligible KN employee will complete USFK Form 25EK (Employee and Dependent Eligibility for Medical Insurance) in duplicate and submit the completed forms to the servicing CPO for certification at the time of employment processing with USFK.

b. The servicing CPO will--

(1) Review the completed USFK Form 25EK, certify the eligibility of the new KN employee, and submit the original to the USFK Medical Insurance Association (MIA) for issuance of medical insurance cards to the eligible KN employee, when an eligible KN employee is newly hired.

(2) Annotate the eligibility of a new KN employee for the medical insurance plan on the REMARKS section of the SF 50 at the time of employment processing with USFK and submit the completed SF 50 to the servicing payroll office.

c. The servicing payroll office will--

(1) Ensure that the eligibility of the new employee has been annotated on the remarks section of the SF 50 by the servicing CPO.

(2) Make deductions from the pay of the new eligible employee. Account for employer's contribution at the beginning of the first pay period after enrollment.

4-3. AMOUNTS OF PREMIUMS. IAW USFK Reg 690-25, the servicing payroll office will deduct the medical insurance premiums and employer's contribution from the pay of all eligible KN employee's.

4-4. REMITTANCE OF PREMIUMS. The total amount of premiums will be deposited in the designated bank account of the USFK MIA by 20 calendar days after the end of each pay period.

USFK Reg 37-25

a. The total amount of the medical insurance premium deductions and employer's contributions will be credited to the proper deposit fund account.

b. The remittance record prepared on an MT or on a listing will indicate the following information:

- (1) Name of the servicing payroll office and date.
- (2) Name of all eligible KN employees.
- (3) ROK ID number.
- (4) Amount of employee's premiums withheld.
- (5) Amount of employer's contributions.
- (6) Total premiums.
- (7) Payroll number.
- (8) Account number.

c. The completed MT or the original listing of the remittance record will be provided to the USFK MIA by 20 calendar days after the end of each pay period.

CHAPTER 5

RETIREMENT INSURANCE SAVINGS INSTALLMENTS

5-1. **AUTHORITY.** The provisions of paragraph 1 of the Memorandum of Understanding between the USFK and the USFK KEU, 8 October 1982.

5-2. **RETIREMENT INSURANCE SAVINGS PLAN.** Participation in the retirement insurance savings plan is voluntary.

a. Any KN employee of USFK who desires 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 the contract maturity or termination.

b. The participant will complete an authorization form (Request and Authorization for Voluntary Allotment of Retirement Insurance Savings Installment) in duplicate. The authorization forms are available at the insurance company.

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

(2) The insurance company will maintain the duplicate.

5-3. **PAYROLL DEDUCTION OF INSTALLMENTS.** The servicing payroll office will deduct the amount of monthly or annual installment as authorized by the participant from the 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 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 payroll office.

5-4. **REMITTANCE RECORD.** The servicing payroll office will--

a. Remit the retirement insurance savings installments withheld to the following bank accounts designated by the insurance company NLT 10 workdays after the deduction:

USFK Reg 37-25

- (1) Bank Account No. 320-1-007437
Itaewon Branch Office of the Cho-Heung Bank of Korea
119-25, Itaewon-dong, Yongsan-ku, Seoul, Korea.
- (2) Bank Account No. 160-05-010700
Dongyoido Branch Office of the Commercial Bank of Korea
61, Yoido-dong, Yongdeungpo-ku, Seoul, Korea.
- (3) Bank Account No. 020-01-0357-721
Twege-ro Branch Office of the Citizens National Bank of Korea
9-1, Namchang-dong, Chung-ku, Seoul, Korea.

b. Prepare a monthly or an annual remittance record reflecting the following information and submit to the Daehan (Korea) Life Insurance Company at 60, Yoido-dong, Yongdeungpo-ku, Seoul, Korea, Postal Service Code No. (Korean ZIP Code) 150-603:

- (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 6

VOLUNTARY UNION DUES ALLOTMENT

6-1. AUTHORITY. The provisions of the Labor-Management Agreement (Korean Employees) Article 15, between the USFK and the USFK KEU, 28 February 1991, as amended on 4 January 1994. Each servicing payroll office will have on file a copy of the current labor-management agreement.

6-2. ELIGIBLE EMPLOYEES. All USFK KN employees are eligible to make voluntary union dues allotment when the employee is a member of the union. Any union employee desiring to have his union dues deducted from his pay may, at any time, complete and sign the appropriate portions of the authorization form, (Request for Payroll Deduction for Labor Organization Dues) or other form approved by the USFK KEU.

a. The union employee will forward or deliver the properly completed 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 payroll office within 3 workdays after receipt.

(2) The servicing payroll office will deduct union dues effective the first full pay period after the date that 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.

(1) The CPO will transmit one copy of the revocation request to the union within 3 workdays and forward the first two copies of the revocation request to the servicing payroll office within 2 weeks after the date of receipt.

(2) The servicing payroll office will discontinue the deductions of union dues from the employee's pay at the beginning of the full third pay period after the revocation request is received in the servicing payroll office.

c. Any individual allotment for union dues deduction will be automatically terminated when an employee is separated from employment, except an employee who is separated and reappointed in a personnel realignment, i.e., conversion from NAF to APF fund or full time to part-time.

USFK Reg 37-25

(1) In the exceptional case as stated in the subparagraph 6-2c, the CPO processing personnel action for change to part-time, separation and reappointment, or other similar cases, will enter in the remarks section of the personnel action, the following statements as appropriate: for losing CPO, "Deduction of union dues will be continued. The union dues deduction authorization form must be transferred to (gaining payroll office)"; for gaining CPO, "Deduction of union dues will be continued. The union dues deduction authorization form must be transferred from (losing payroll office)". The losing payroll office will forward the related authorization form within 3 workdays after receipt of the personnel action. The gaining payroll office will deduct union dues effective the first full pay period after the date that the form is received in the payroll office from the losing payroll office.

(2) Allotments will also be terminated upon receipt of written notification from the union that the employee has resigned, been suspended, or expelled.

(3) If an effective date is not named, the effective date will be the beginning of the first full pay period after receipt of the notification in the payroll office.

6-3. UNION DUES DEDUCTION. A deduction of 0.9 percent of the union member's basic pay which is equivalent to an amount for 160 hours of the employee's base pay including consolidated allowance payment (CAP), payment in kind (PIK), and benefits allowance (BA) will be made 13 times a year. The formula is $0.009 \times 160 \times (\text{Base Pay} + \text{CAP} + \text{PIK} + \text{BA})$.

a. Changes in the amount of individual employee allotments, (by reason of changes in the amount of union dues) will not be made more frequently than once a year.

b. Changes in the amount of union dues because of wage adjustments (for example, annual wage increases, changes in pay grade levels, or movement of positions between different wage schedules) will be effected at the end of the pay period which includes the wage adjustment effective date.

c. Resubmission of an authorization form by the employee will not be required if an employee transfers or is reassigned to an organization having the same payroll office or to implement changes in the union bylaws.

d. When an employee transfers (including a separation and reappointment stipulated in subparagraph 6-2c) to an organization within the USFK having a different payroll office, the losing payroll office will forward the related authorization form to the gaining payroll office.

6-4. 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 Won check to the USFK KEU bank account designated by the union.

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

(1) The original listing will be forwarded to the office of the USFK KEU per written agreement.

(2) The listing of employees from whom union dues deductions have been made will be verified with related payroll control registers and a copy will be retained by the servicing payroll office.

6-5. 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 dollars and won will be disbursed on SF 1049 (Public Voucher for Refunds) or on the other appropriate format to the union NLT 40 working days after the close of each pay period.

CHAPTER 7

WITHHOLDING TAXES

7-1. **AUTHORITY.** The provisions of Agreed Minutes, Article XVII, paragraph 3, to the Agreement under Article IV of the Mutual Defense Treaty between the United States of America and the Republic of Korea regarding facilities and areas and the Status of United States Armed Forces in the ROK, 9 July 1966.

7-2. **RESPONSIBILITIES.**

a. All payroll certifying officers of KN employee payrolls are assigned the following specific responsibilities:

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

(2) Remit withheld income tax to the account (xxx-xxx) designated by the servicing area tax office NLT the last 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 Commercial Bank of Korea by the last day of the month following the month in which the local tax is withheld.

(4) Provide a copy of the completed USFK Form 10K (Withholding Tax Statement for Earned Income) to each KN employee and the servicing area tax office within 30 days after the close of each tax year or upon separation during the tax year.

(5) Furnish KN employees and the servicing area tax office with a copy of completed USFK Form 60K (Withholding Tax Statement for Retirement Income) upon payment of severance pay during the current tax year but NLT 30 days thereafter.

(6) Maintain an individual pay record for each 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 employee. A format is provided at appendix B.

(8) Notify employees on or before 1 November of each year that all active KN employees must submit a copy of each claim for deductions/tax credits with the applicable supporting documents to arrive at their servicing payroll office prior to the year-end reconciliation.

USFK Reg 37-25

b. All KN employees subject to withholding Korean taxes 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.

7-3. PREPARATION OF FORMS. All KN employees will prepare a copy of the applicable forms listed below IAW instructions thereon and submit the form together with prescribed supporting documents such as resident register, census register, receipt for donations, certificate of savings bounty fund payment, certificate of securities savings payment, certificate of payment for housing fund mortgage, and certificate of householder who does not have his/her own house during the current tax year.

- a. USFK Form 11K (Employee's Withholding Allowance Certificate).
- b. USFK Form 12K (Information on Temporarily Separated Dependent).
- c. USFK Form 13K (Certificate of Insurance Premium Payment).
- d. USFK Form 14K (List of Medical Expense Payment).
- e. USFK Form 15K (Certificate of Educational Expense Payment).
- f. USFK Form 16K (Certificate of Disabled Dependent).

7-4. SUBMISSION OF FORMS. All KN employees subject to Korean withholding taxes will furnish their servicing payroll office a copy of the completed USFK Form 11K with the applicable 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 USFK Form 11K with the applicable 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 USFK Form 11K and the applicable supporting documents with the completed SF 50 to the servicing payroll office.

(2) The initial certificates 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 USFK Form 11K with the applicable 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 employees have no changes in the status of personal deductions claimed on the previous USFK Form 11K, they need not attach new copies of resident/census registers to the year-end submission.

(2) Even if employees have changes in the status of personal deductions claimed on previous USFK Form 11K 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 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 an employee has changes in allowable income deductions or tax credits subsequent to the year-end submission at the close of tax year (but before 1 January of the following year), the employee must resubmit the updated USFK Form 11K with the applicable supporting documents to arrive at the servicing payroll office by 5 January of the following year in order to make necessary adjustments to year-end reconciliation.

c. Change in claims. Whenever an employee has changes in the status of income deductions/tax credits claimed, the employee may resubmit the updated USFK Form 11K with the applicable supporting documents at any time during the current tax year.

7-5. DETERMINATION OF WITHHOLDING ALLOWANCES. The servicing payroll office will determine the amount of income deductions and tax credits based on the USFK Form 11K with the applicable supporting documents submitted by each KN employee.

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

b. Failure of an employee to submit the current USFK Form 11K with the applicable supporting documents will result in taxes being withheld for a single person. However, if the payroll office has another valid document filed for the employee, the tax amount will be as before.

c. The servicing payroll office will maintain a file of USFK Form 11K including the applicable supporting documents.

7-6. NECESSARY EXPENSE DEDUCTIONS. The servicing payroll office will make the following authorized deductions for necessary expenses from the taxable earned income of an eligible employee based on the status of USFK Form 11K with the applicable supporting documents, submitted by each employee in the priority order listed below:

a. Insurance premium deduction. This deduction applies to every employee who pays premiums for medical insurance or commercial insurance (contracted on or after 1 January 1983) if the total premiums paid during the insurance contract are greater than the total amount of insurance claims refunded at the

USFK Reg 37-25

time of contract maturity or termination. This deduction is also applicable to an employee whose fixed monthly pay for the last month of the current tax year is W500,000 or less and the employee paid premiums for the commercial insurance or retirement insurance contracted on or before 31 December 1982. The insurance premiums paid during the current tax year for the employee, spouse, and other dependents are deductible as stated in subparagraphs 7-6a(1) and (2).

(1) Deductible amount for the medical insurance is the total premiums paid during the current tax year to an MIA organized at the place of the employee's employment or residence.

(2) Deductible amount for the commercial insurance or retirement insurance is W500,000 per tax year or the total premiums paid by eligible employees during the current tax year, whichever is smaller. The commercial insurance includes life, injury, fire, theft, and other damage insurances prescribed in the ROK income tax law.

b. Medical expense deduction. This deduction is applicable to each employee who paid medical expenses during the current tax year. Medical expenses for the employee, his or her spouse, and other dependents qualify for this deduction. Deduction amount is the qualifying medical expenses in excess of 3 percent of the total amount of taxable annual earned income, not to exceed W1,000,000 with the following exception:

(1) If the qualifying medical expenses, less 3 percent of the total amount of taxable annual earned income, is greater than W1,000,000 and the qualifying medical expenses include expenses listed in subparagraphs 6a(1)(a) and (b), then an additional deduction is authorized. This additional amount is equal to the amount in excess of W1,000,000 limitation or the actual medical expenses listed below, whichever is less. Medical expenses which qualify for this additional deduction are--

(a) Medical expenses paid for rehabilitation for the employee and the dependents qualifying for tax deduction under subparagraph 7-7d, disabled deduction. Deductible medical expenses for disabled person's rehabilitation include costs paid for examinations of the disability and evaluation of the function, costs paid for prevention of the disability getting worse and improving of the function, costs paid for operations, treatment, and/or rehabilitating devices to restore the disability, and costs paid for medical treatment for diseases caused by the disability.

(b) Medical expenses paid for the employee and the dependents qualifying for tax deduction under subparagraph 7-7e, elderly dependent deduction.

(2) Medical expense includes the actual cost paid for examinations, treatment, care in a hospital, medicines, and Chinese drugs. It does not include payments for periodic physical examinations or close medical examinations of health, cosmetic surgery, and medicines purchased for promotion of health.

c. Education expense deduction. This deduction applies to every employee who has earned income during the current tax year and who has paid education expenses for themselves and other dependents. The education expenses paid during the current tax year are deductible as stated in subparagraphs 7-6c(1), (2), and (3).

(1) If the employee is a student of a school (excluding kindergarten and graduate school) authorized under the ROK education law, the deductible amount per tax year is the total amount of entrance fee, tuition, and other educational expenses paid for him/her during the current tax year.

(2) For all adopted children and all lineal descendants, the deductible amount per tax year is the total amount of entrance fee, tuition, and other education expenses paid during the current tax year. The lineal descendants and adopted children may be a student of primary, middle, or high school.

(3) For two brothers and sisters, the deductible amount per tax year is the total amount of entrance fees, tuition, and other education expenses paid during the current tax year. Brothers and sisters may be students of primary, middle, or high school. The number of eligible brothers and sisters is limited to two students only.

d. Non-house owner deduction. This deduction applies to an employee whose taxable earned income is under W12,000,000 per tax year, if the employee is a householder who supports other dependents and has no house during the current tax year. Deductible amount is W1,000,000 per tax year.

e. Special deduction for joint employment: The deductible amount is W540,000 per tax year. This deduction applies to any female employee who has a spouse as of the last day of the current tax year. Whether the employee has a spouse will be determined based on the resident register or census register.

f. Earned income deduction. This deduction applies to all employees who have taxable earned income during the current tax year.

(1) The deductible amount per tax year is W6,200,000 or the actual amount obtained by applying the earned income deduction rates shown in table 7-1, whichever is the smaller amount:

Table 7-1		
Earned income deductible rates		
<u>ANNUAL TAXABLE EARNED INCOME</u>	<u>DEDUCTION RATE</u>	<u>ANNUAL ADD-UP AMOUNT</u>
W1	100%	W0
2,700,001	30%	1,890,000
14,366,667	0%	6,200,000
W2,700,000		
14,366,666		
or over		

(2) The deductible amount for a daily wage earner is W35,000 per day.

7-7. INCOME DEDUCTIONS. The servicing payroll office will deduct the following income deductions, in the priority order listed below from the taxable income of an eligible employee, based on the status of USFK Form 11K with the applicable supporting documents submitted by each employee. Any combination of the deductions listed below will apply, if applicable.

a. Basic deduction. This deduction applies to every employee who has taxable income during the current tax year. The deductible amount is W720,000 per tax year.

b. Spouse deduction. This deduction is applicable to an employee's legal spouse who resides in the employee's residence, if the spouse has annual global income (other than asset incomes) less than the amount of spouse deduction allowed per tax year. The deductible amount is W540,000 per tax year.

c. Dependent deduction. This deduction applies to an employee's dependents who reside in the employee's residence, if each dependent has annual global income (other than asset incomes) less than the amount of dependent deduction allowed per tax year. The deductible amount per tax year is W480,000 for each eligible dependent listed below. Age will be determined as of 31 December of each year.

(1) All lineal ascendants of employee/spouse (over 60 years of age for males and over 55 years for females), even if the lineal ascendants reside separately due to dwelling situation.

(2) All brothers and sisters of employee and employee's spouse over 60 years of age (55 years or older, if sister) or under 20 years of age.

(3) All lineal descendants born on or before 31 December 1974 whose age is under 20 years. Lineal descendants born during the period of 1 January 1975 through 31 December 1976 will be eligible, if the employee's total number of lineal descendants does not exceed three. Lineal descendants born on or after 1 January 1977 will be eligible, if the employee's total number of lineal descendants does not exceed two. All adopted children whose age is under 20 years will be eligible, regardless of the limitations prescribed for all other lineal descendants.

d. Disabled deduction. This deduction is applicable to each employee and dependents if supported by a certified USFK Form 16K. The deductible amount per tax year is W540,000 for each disabled family member regardless of age.

(1) Disabled employee.

(2) Disabled spouse, if the spouse has annual global income (other than asset incomes) less than the total deductions allowed per tax year.

(3) Disabled lineal ascendants, lineal descendants, including adopted children, brothers, and sisters of the employee and the employee's spouse, providing that they reside in the employee's residence, and their annual global income (other than asset incomes) is less than the total deductions allowed per tax year.

e. Elderly dependent deduction. This deduction is applicable to each employee, employee's spouse, and dependents over 65 years of age, if USFK Form 11K, with certified census register, or resident register is submitted. The deductible amount per tax year is W480,000 for each old aged family member listed below.

(1) Elderly employee.

(2) Elderly spouse, if the spouse has annual global income (other than asset incomes) less than the total amount of deductions allowed per tax year for spouse, disabled, and elderly dependent deductions.

(3) Elderly lineal ascendants, brothers, and sisters of employee or spouse, if their annual global income (other than asset incomes) is less than the total amount of deductions allowed per tax year.

f. Female householder deduction. This deduction applies to any female employee who is a householder and supports other dependents during the current tax year. The deductible amount per tax year is W540,000.

g. Contribution special deduction. This deduction is applicable to an employee who contributed value of money or goods during the current tax year. Deductible amount per tax year will be total amount of donations supported by receipt for the following items:

(1) The value of money or goods donated, without compensation, to the ROK Government or local autonomous organizations.

(2) The contributions made for national defense/war relief.

(3) The value of money or goods donated for relief of natural disaster(s).

h. Contribution limited deduction. This deduction applies to each employee who makes donations during the current tax year for the activities prescribed in Article 49, ROK income tax law (for example, Korean Red Cross, MIA(s), private colleges or universities, charitable organizations, scout organizations or religious organizations). The deductible amount per tax year is limited to an amount equal to 5 percent of the employee's adjusted annual earned income or the total donations supported by receipts, whichever is smaller.

Added by C2, 23 Aug 94.

7-7

i. Income deduction for the Private Pension Savings Plan (PPSP). This deduction applies to an employee who participates in the PPSP.

(1) The deductible amount is 40 percent of the total deposits during the current tax year or W720,000 per tax year, whichever is less.

(2) The servicing payroll offices will deduct the appropriate amount for PPSP from employee's adjusted earned income based on certificates of deposit submitted by each participant prior to the final payment at close of the tax year or upon separation.

7-8. TAX CREDITS. The servicing payroll office will deduct the following tax credits, in the priority listed below from the computed tax amount of each eligible employee, based on the status of USFK Form 11K and the applicable supporting documents submitted by each employee.

a. Earned income tax credit. This tax credit is applicable to all employees. The deductible amount is 20 percent of the computed tax amount or W500,000 per tax year (or W41,666 per month), whichever is less.

b. Savings tax credit. This tax credit applies to an employee with fixed monthly pay under W600,000 at the time of contract on or after 12 September 1985 for a savings account. Deductible amount is 15 percent of the monthly or bonus installments deposited during the current tax year.

(1) The amount of the monthly installment is limited to 30 percent of the fixed monthly pay, but not less than W5,000 and not more than W120,000, and must be in multiples of W1,000. However, an eligible employee may deposit the monthly installment up to a maximum of W80,000 within the fixed monthly pay, regardless of the 30 percent limitation for the savings plan contracted on or after 12 September 1985. The 30 percent limitation does not apply to bonus installment.

(2) The participating employee will submit a copy of savings contract to the servicing payroll office indicating the participant's payroll and account number. The savings tax credit will become effective at the beginning of the pay period following that in which it arrived at the servicing payroll office.

(3) The participant will deposit the amount of savings tax credit granted to the savings bounty fund on a monthly basis or at the year-end. The servicing payroll office will make the necessary reconciliation of savings tax credit prior to the final payment based on the certificate of savings bounty fund payment submitted by each participant at the close of tax year or upon separation.

c. Housing fund tax credit. This tax credit applies to an employee who has no house with fixed monthly pay under W600,000 at the time when the contract for housing fund mortgage was initiated with an authorized financial organization in order to purchase a house within 25.7 pyong (914.48 square feet). Deductible amount is 10 percent of monthly payments for the housing fund mortgage but not more than W150,000 per tax year.

d. Overseas earned income tax credit. This tax credit applies to all KN employees of USFK except daily per diem earners. Deductible amount is 20 percent of the computed tax amount.

e. Securities savings tax credit. This tax credit applies to an employee with fixed monthly pay under W600,000 at the time when the contract for a securities savings account was initiated, if the employee participates in a

securities saving plan on or after 12 September 1985. Deductible amount is 10 percent of the monthly or optional installments deposited during the current tax year.

(1) The amount of monthly installment is limited to 30 percent of fixed monthly pay, but not less than W30,000, and must be in multiples of W10,000 per month. However, eligible employees may deposit the monthly or optional installment up to a maximum of W1,200,000 per tax year regardless of the 30 percent limitation.

(2) The participant will submit a copy of the securities savings contract indicating the participant's payroll and account number to the servicing payroll office. The servicing payroll office will make the necessary reconciliation of securities savings tax credit prior to the final payment at the close of the tax year or upon separation.

f. Stock savings tax credit. This tax credit applies to all employees (regardless of the amount of the fixed monthly pay) who participate in a stock savings plan for the periods 1 July 1992 through 30 June 1993. Deductible amount is 10 percent of the total deposits (deposited in a single sum or by installments) during the current tax year.

(1) The maximum amount of deposits for stock savings plan is 30 percent of the annual pay (computed by multiplying the fixed monthly pay by 12), or W5,000,000, whichever is less. However, if 30 percent of the annual pay does not reach W1,200,000, the maximum amount can be up to W1,200,000.

(2) Term of deposit must be 1 year or longer. If the deposits are made by installments, then the one-year term starts on the date the last installment is made.

(3) The servicing payroll office will make the necessary reconciliation of stock savings tax credit based on the certificate of deposits submitted by each participant prior to the final payment at the close of the tax year or upon separation.

7-9. INCOME SUBJECT TO WITHHOLDING TAX. The following types of payments are taxable income and subject to withholding Korean income tax:

a. All wages and salaries, including base pay, CAP, PIK, occupational premium (OP), holiday work (HW), overtime work (OT), night shift differential (ND), and remote area allowance (RAA).

b. Tuition assistance (TA) for employee's student children.

c. All bonuses for spring, summer, Chusok, year-end, and Lunar new year.

d. Unused scheduled annual leave and lump-sum leave payment made at the time of separation.

USFK Reg 37-25

e. Severance pay.

7-10. INCOME NOT SUBJECT TO WITHHOLDING TAX. The following types of allowances in the nature of compensation for actual expenses are nontaxable income:

a. Payments made to an employee in the nature of compensation for reimbursements or actual expenses.

(1) Relocation allowance, uniform allowance, BA, and employer's contributions for the medical insurance premiums and pension premiums.

(2) Temporary duty per diem, traveling expenses, and TA paid to an eligible KN employee.

b. Some portions of CAP and PIK which represent payments for duty/skill allowance, confidential allowance, and vehicle maintenance charges incurred in the performance of official duty are nontaxable. Deductible amount will be limited to W200,000 per month or the total amount of the CAP and PIK paid to KN employees, whichever is the smaller amount.

c. Total amount of payments for unused scheduled annual leave and lump-sum leave payment made to an employee during the current tax year or W1,000,000 per tax year, whichever is the smaller amount.

d. Cash awards received from foreign funds.

e. Total amount of RAA paid to an employee whose fixed monthly pay is W500,000 or less.

f. Condolence payment to families of deceased employees.

7-11. INCOME TAX RATES. The servicing payroll office will compute income tax amount by applying the income tax rates shown in table 7-2.

Table 7-2
Annual tax table

<u>OVER</u>	<u>BUT NOT OVER</u>	<u>TAX RATE (PERCENT)</u>	<u>ANNUAL OFFSET</u> <u>AMOUNT</u>
W1	W4,000,000	5	W0
4,000,000	8,000,000	9	160,000
8,000,000	16,000,000	18	880,000
16,000,000	32,000,000	27	2,320,000
32,000,000	64,000,000	36	5,200,000
64,000,000		45	10,960,000

a. Annual tax rates. The annual tax rates will be used when computing income tax on taxable earned income at the close of each tax year or upon separation during the current tax year and when computing income tax on severance pay.

b. Monthly tax rates. The monthly tax base and monthly offset amount are obtained by dividing the annual tax base and annual offset amount by 12. The results will be used in computing income tax on taxable earned income paid on a monthly basis during current tax year.

c. Four-week tax rates. The four-week tax base and four-week offset amount are obtained by dividing the annual tax base and annual offset amount by 13. The results will be used in computing income tax on taxable earned income paid on a four-week basis during the current tax year.

7-12. INCOME TAX FORMULAS. The servicing payroll office will use the tax formulas in subparagraphs 7-12a through 7-12c in computing income tax on taxable income. In the computation of taxes, an amount less than W10 will be dropped. No tax will be withheld if the amount of income tax is less than W500.

a. Income tax formula for regular pay.

(1) Regular pay less total deductions allowed per pay period equals the tax base.

(2) The tax base times the tax rate less offset amount equals the computed tax amount.

(3) The computed tax amount less the total tax credits allowed per pay period equals the income tax.

b. Income tax formula for bonuses.

(1) The gross bonus plus the total regular pay earned the preceding pay periods divided by the number of pay periods equals the average earned income per pay period.

(2) The average earned income per pay period less the total deductions allowed per pay period equals the average tax base per pay period.

(3) The average tax base per pay period times the tax rate less the offset amount equals the average computed tax amount per pay period.

(4) The average computed tax amount per pay period less the total tax credits allowed per pay period equals the average income tax per pay period.

(5) The average income tax per pay period times the number of pay periods equals the adjusted income tax.

(6) The adjusted income tax less total income withheld during the preceding pay periods equals the net income tax on bonus.

c. Income tax formula for per diem wages. The earned income deduction for each casual labor employee is W35,000 per day. The tax rate for per diem wages will be 5 percent.

(1) The gross per diem wage less daily income deduction equals the tax base.

(2) The tax base times the tax rate equals the income tax on per diem wage.

7-13. LOCAL TAX RATES. The following local tax formula will apply in computing the local tax on earned income and retirement income:

a. Local tax rate. Seven and one-half percent of the income tax withheld.

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

7-14. NATIONAL TAX REMITTANCE. National tax payment will be made by won check. The won check, annotated with the words "For Income Tax", will be deposited in the account of the servicing area tax office NLT the last day of the month following month in which the income tax is withheld.

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

b. The National Tax Deposit Form will be used in depositing income tax remittance. A blue copy of the certified form will be obtained from the bank and kept in the payroll office as a record of payment.

c. The ROK Form 100(2) (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.

7-15. LOCAL TAX REMITTANCE. Local tax payment will be made by Won check. The won check will be annotated with the words "For Local Tax" and will be remitted to the Yongsan Branch Bank of the Commercial Bank of Korea, 243-8, 1-ka, Hankang-ro, Yongsan-ku, Seoul, Korea in the account of the Yongsan District Office of the Seoul City NLT the last day of the month following month in which the local tax is withheld.

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

b. Two copies of a summary of local tax withheld (which will include the place of employment, number of taxpayers, tax base, and each amount of local tax withheld for respective city or county per pay period covering regular pay, bonuses, and severance pay), will be forwarded to the Yongsan District Office, 25 1-ka, Wonhyo-ro, Yongsan-ku, Seoul, Korea. A format is provided at appendix C.

7-16. ACCOUNTING FOR WITHHELD TAXES. The amount withheld each pay period for national income tax and local tax will be scheduled on DD Form 592 (Payroll for Personal Services Certification and Summary).

a. The appropriate deposit fund account will be inserted in the ACCOUNTING CLASSIFICATION block of the DD Form 592. For KN employees of EUSA APF activities, account 21X6129 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 won check to the ROK governmental authorities, if applicable.

7-17. YEAR-END RECONCILIATION OF TAX LIABILITY.

a. The annual tax amount on each employee's taxable earned income for the current tax year will be recomputed prior to the final payment at the close of each tax year or upon separation during the current tax year.

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

(2) Overseas earned income tax credit. If an employee's annual earned income includes any earned income received from an employer other than USFK, the overseas earned income tax credit will be computed as follows: The computed tax amount times USFK adjusted earned income divided by the gross adjusted earned income times 20 percent equals the overseas earned income tax credit.

b. USFK Form 10K. Three copies of the current USFK Form 10K will be prepared IAW the instructions provided at the year-end seminar for reconciliation of Korean taxes or Internal Revenue Service Circular published by the ROK Government. The completed USFK Form 10K will be distributed as follows:

(1) The original copy will be furnished to each employee before 28 February of the following year. For separated employees during the current tax year, the completed USFK Form 10K will be furnished upon separation or NLT 30 days thereafter.

(2) The second copy will be retained by the servicing payroll office for 4 years from the end of the current tax year.

USFK Reg 37-25

(3) The third copy will be submitted to the servicing area tax office within 30 days after the end of the calendar year or upon separation.

c. Net amount of tax due or refund. The net amount of tax due or to be refunded from the year-end reconciliation will be processed as follows:

(1) Refund to employee. If the total tax previously withheld during the preceding pay periods exceeds the total annual tax to be withheld, the excess will be refunded to the employee as an adjustment to the employee's final annual salary payment.

(2) Tax due from reconciliation. If the amount of tax to be withheld as determined by the year-end reconciliation exceeds the employee's net pay, the amount in excess will be deducted from the employee's pay the following pay period.

7-18. RECONCILIATION FORMULAS. The servicing payroll office will use the annual tax rates when reconciling tax on annual earned income, by applying the following reconciliation formulas:

a. Reconciliation income tax formulas.

(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 annual tax rate less 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 equals the net income tax to be withheld or to be refunded at the year-end reconciliation or upon separation.

b. Reconciliation of local tax formulas.

(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.

7-19. COMPUTATION OF TAX ON SEVERANCE PAY.

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

(1) Severance pay special deduction. An amount equal to 50 percent of an employee's gross severance pay will 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 an employee's continuous service years (CSYs). If CSY is less than 1 year, it will be rounded to 1 year. Deductible amounts by the number of CSYs are as follows:

<u>CSYs</u>	<u>SEVERANCE PAY DEDUCTION AMOUNT</u>
1 through 5 years	W300,000 x CSY
6 through 10 years	1,500,000 + 500,000 x (CSY - 5)
11 through 20 years	4,000,000 + 800,000 x (CSY - 10)
Over 21 years	12,000,000 + 1,200,000 x (CSY - 20)

(3) Excess income deductions from reconciliation. Reconciliation of income tax on annual earned income for separating employees will be completed prior to computation of income tax on severance pay. If the amount authorized for separating employee's income deductions is greater than the adjusted earned income, the excess of income deduction will also be deducted from the adjusted severance pay of the separating employee.

b. Three copies of USFK Form 60K will be prepared IAW the instructions prescribed in the Internal Revenue Service Circular provided at each year-end seminar for reconciliation of Korean taxes. The completed USFK Form 60K will be distributed as follows within 30 days after payment or separation.

(1) The original copy will be furnished to employees.

(2) The second copy will be submitted to the servicing area tax office.

(3) The third copy will be retained by the servicing payroll office for 4 years from the end of the current tax year.

USFK Reg 37-25

7-20. TAXES ON SEVERANCE PAY. If an 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 the current tax year. The following tax formulas will be applied:

a. Income tax formula.

(1) The gross severance pay less (severance pay special deduction plus severance pay deduction) = the adjusted severance pay.

(2) The adjusted severance pay less excess income deduction from year-end reconciliation (if applicable) equals the tax base.

(3) The tax base less the number of continuous service years equals the average annual tax base.

(4) The average annual tax base times the annual tax rate less offset amount (if applicable) equals the average annual tax amount.

(5) The average annual tax amount times the number of continuous service year equals the computed tax amount.

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

(7) 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 times local tax rate 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.

7-21. INCOME TAX TABLE. The simplified ROK income tax table will be obtained through local purchase by each withholding agent and used to find the amount of income tax for employees paid on a monthly basis.

a. Each taxable income bracket shown on the left income column "SALARY LESS INSURANCE, SPECIAL DEDUCTION FOR JOINT EMPLOYMENT, AND FEMALE HOUSEHOLDER DEDUCTIONS" is the net amount of monthly pay after subtracting the monthly medical insurance premium, joint employment, commercial insurance premium, and female householder deductions per month.

b. Each tax amount listed on the left half of the table is computed income tax amount by the number of dependents for a single person who is not entitled to a spouse deduction.

c. Each tax amount listed on the right half of the table is computed income tax amount by the number of dependents for a married person who is entitled to a spouse deduction.

d. Each computed income tax amount on the table does not include all tax credits allowed except the 20 percent of earned income tax credit for eligible employees.

e. Tax credits on tax table. Deductions for authorized tax credits from the computed income tax amount will be applied in the following priority order:

(1) Savings tax credit equal to 15 percent of the monthly/bonus installments deposited to saving account, if applicable.

(2) Housing fund tax credit equal to 10 percent of monthly payments for the housing fund mortgage, if applicable.

(3) Overseas earned income tax credit equal to 20 percent of the computed income tax amount of every USFK KN employee.

(4) Securities savings tax credit equal to 10 percent of monthly or optional installment deposited, if applicable.

f. Local tax will be computed and withheld simultaneously with the income tax.

g. The following procedures will be used in computing the income tax amount for more than six dependents:

(1) Subtract the amount of income tax for six dependents from the tax amount for five dependents to obtain the tax amount for an additional dependent deduction per month.

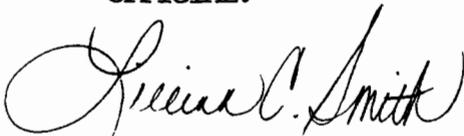
(2) Multiply the tax amount for one dependent deduction by the number of dependents in excess of seven.

(3) Subtract the tax amount computed in subparagraph 7-21g(2) above, from the tax amount for six dependents to derive the applicable computed income tax amount.

The proponent of this regulation is the Office of the 175th Theater Finance Command. Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) to the Commander, USFK, ATTN: EAFC-AP, Unit #15237, APO AP 96205-0010.

FOR THE COMMANDER:

OFFICIAL:



LILLIAN C. SMITH
Lieutenant Colonel, USA
Assistant Adjutant General

WILLIAM W. CROUCH
Lieutenant General, USA
Chief of Staff

DISTRIBUTION:

B

SPECIAL DISTRIBUTION:

- 5 - OCPD, ATTN: FKCP, Unit #15236,
APO AP 96205-0009
- 25 - FKAQ
- 2 - 34th Spt Gp, ATTN: EANC-SA-CP,
Unit #15333, APO AP 96205-0177
- 2 - 20th Spt Gp, ATTN: EANC-T-CP,
Unit #15494, APO 96218-0562
- 2 - 501st Corps Spt Gp, ATTN: EANC-YGT-CP,
Unit #15303, APO AP 96258-0076
- 2 - 23rd Spt Gp, ATTN: EANC-HG-CP,
Unit #15228, APO AP 96271-0164
- 2 - 501st MI Bde, ATTN: CPO,
Unit #15282, APO AP 96205-0055
- 2 - Central CPO, 51MSSQ, ATTN: MSC,
Unit #2056, APO AP 96278-5280
- 2 - Kusan Branch CPO, 8MSSQ, ATTN: MSCK,
Unit #5216, APO AP 96264-5000
- 2 - KSC, ATTN: EAKS-P, Unit #15284,
APO AP 96205-0057
- 2 - KOSA, ATTN: KOSA-PE, Unit #15555,
APO AP 96205-0003
- 2 - Dragon Hill Lodge, ATTN: Director of
Personnel, Unit #15335, APO AP 96205-0427
- 30 - 175th TFC, ATTN: EAFC-AP,
Unit #15300, APO 96205-0073

- 15 - 175th TFC, ATTN: EAFC-CPA-FN, Unit #15300, APO AP 96205-0073
- 5 - 175th TFC, ATTN: EAFC-CAO, Unit #15300, APO AP 96205-0073
- 5 - USAKSC, ATTN: EAKS-F, APO AP 96205-0057
- 5 - KOSA, ATTN: FA-PR, Unit #15606, APO AP 96205-0433
- 5 - 607TH AFS/FMFV, APO AP 96278-5000
- 5 - 51st MWRSS/MWF, ATTN: NAFFMO, APO AP 96278-5000
- 5 - 8th MWRSS/MWF, ATTN: NAFFMO, APO AP 96264-5000
- 5 - Supply Ofc, COMFLEACT, Chinhae PSC 479, FPO AP 96269-1100
- 2 - COMNAVFORKOREA, Navy Club, Unit #15250, APO AP 96205-0023
- 2 - MWRF(10293), Chief Mess, HQ JUSMAG-K, BOX 88, Unit #15339,
APO AP 96203-0187
- 2 - 51 COBSS/PA&E, Unit #2117 (Osan), APO AP 96278-2117
- 2 - Merchants National Bank, Ltd., Unit #15554, APO AP 96205-0004
- 2 - EUSA Milk Plant, APO AP 96205-0011
- 2 - Pacific Stars & Stripes, Korea, Unit #15334, APO AP 96205-0423
- 2 - Thomas J. Davis Inc/Jungil Assoc, USAEDFE, Unit #15546,
APO AP 96205-0610
- 2 - AMKOR, A&E Inc, USAEDFE, Box-158, Unit #15546, APO AP 96205-0610
- 2 - USA Federal Credit Union, Seoul Branch, APO AP 96205
- 2 - USO, APO AP 96204-0053
- 2 - American Red Cross, Unit #15272, APO AP 96205-0045
- 2 - Central Texas College, APO AP 96205
- 2 - University of Maryland, Yongsan Education Center, Unit #15556,
APO AP 96205-0614
- 2 - Balentines SBC, PSC 450, BOX 460, APO AP 96206-0460
- 2 - Int'l Electronics Corp, HHC, 1st Sig Bde, Unit #15271,
APO AP 96205-0044
- 1 - HQ CLM, UNC UN Compound, APO AP 96204-0090
- 1 - HQ PACAF/FMF, Hickam AFB, Hawaii 96853-5000
- 89 - PPKC
- 8 - FKJ6-R-PM (Editing)

APPENDIX A

REFERENCES

Section I. REQUIRED PUBLICATIONS

Agreed Minutes to the Agreement under Article VI of the Mutual Defense Treaty between the United States of America and the Republic of Korea, regarding Facilities and Areas and the Status of United States Armed Forces in the Republic of Korea, 9 July 1966. Cited in paragraph 7-1.

AR 37-105 (Finance and Accounting for Installation: Civilian Pay Procedures). Cited in subparagraph 1-5e.

Labor Management Agreement between the United States Forces, Korea (USFK) and the USFK Korean Employees Union. Cited in paragraph 6-1.

Memorandum of Understanding between the United States Forces, Korea and the USFK Korean Employees Union, 8 October 1982. (Payroll Deduction of Retirement Insurance Savings Installments and Change of Payment Procedures.) Cited in paragraphs 2-1 and 5-1.

USFK Reg 690-1 (Regulations and Procedures - Korean Nationals). Cited in subparagraph 1-5c(3).

USFK Reg 690-25 (USFK Korean Employees Medical Insurance Plan). Cited in paragraph 4-1 and 4-3.

Section II. RELATED PUBLICATIONS

EUSA Reg 550-1 (Korean Service Corps - Missions, Organization, Responsibilities, and Operating Procedures)

ROK Income Tax Law No. 2705, promulgated on 24 Dec 74, as amended, with its implementing Presidential Decree No. 7458, 31 Dec 74, as amended.

ROK Local Tax Law No. 827, promulgated on 3 Dec 61, as amended, with its implementing Presidential Decree No. 4840, 3 Apr 70, as amended.

ROK Medical Insurance Law No. 1623, promulgated on 16 Dec 63, as amended, with its implementing Presidential Decree No. 4154, 20 Oct 69, as amended.

ROK National Pension Law No. 3902, promulgated on 31 Dec 86, as amended, with its implementing Presidential Decree No. 12227, 14 Aug 87, as amended.

USFK Reg 37-25

ROK Support of Employees' Dwelling House and Savings Bond Law No. 3930, promulgated on 30 May 87, as amended, with its Presidential Decree No. 12279, 24 Nov 87, as amended.

ROK Tax Exemption and Reduction Control Law No. 3481, promulgated on 31 Dec 81, as amended, with its implementing Presidential Decree No. 10670, 31 Dec 81, as amended.

APPENDIX B

FORMAT OF A TAX WITHHOLDING CERTIFICATE

- 1. Name of employee: _____ 2. ROK ID No.: _____
- 3. Present address: _____
- 4. Employing organization: _____ 5. Tel #: _____
- 6. Firm name: USFK 7. Employer ID No.: _____ 8. Business name: USFK
- 9. Name of certifying officer: _____ 10. ROK ID No: NA
- 11. Purpose of use: _____ 12. Submit to: _____ 13 No. of Copies _____

I certify that the following tax amounts have been withheld from the pay of above named USFK employee and have been transferred to the ROK Government on the dates shown below:

14. <u>Pay Period</u>	15. <u>Gross Pay</u>	16. <u>Tax Amount</u>	17. <u>Date of Remittance</u>
101.			
102.			
103.			
104.			
105.			
106.			
107.			

16. TOTAL: _____

Date _____

Signature of Payroll Certifying Officer

APPENDIX C

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
25, 1-ka, Wonhyo-ro, Yongsan-ku,
Seoul, Korea, Postal Service Code No. (Korean ZIP Code: 140)

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 _____.

Table with 4 columns: PLACE OF EMPLOYMENT (CITY OR COUNTY), NUMBER OF TAX PAYERS, TAX BASE (INCOME TAX), AMOUNT OF LOCAL TAX. Lists various cities and provinces like Seoul, Pusan, Taegu, etc.

Signature of Payroll Certifying Officer

APPENDIX D

SUMMARY OF CHANGES
KN Income Tax for CY 1993

On 8 Dec 92, ROK government announced Income Tax Law No. 4520, Amending Law No. 2705, promulgated on 24 Dec 74 with the effective date of 1 Jan 93. Summary of changes are as follows:

- a. Insurance premium deduction. Changed the deductible amount for commercial insurance or retirement insurance from W240,000 to W500,000 per tax year.
- b. Medical expense deduction. Additional provisions were added to authorize an additional deduction for medical expenses paid for a disabled person's rehabilitation and old aged (over 65) person when the qualifying medical expenses could not be deducted because of the W1,000,000 limitation.
- c. Special deduction for joint employment. A new provision was added authorizing a deduction of W540,000 per tax year for a female employee having a spouse as of the last day of the current tax year.

d. Earned income deduction. Changed the maximum deductible amount from W4,900,000 to W6,000,000, and replaced table 7-1 with the following:

<u>ANNUAL TAXABLE EARNED INCOME</u>		<u>DEDUCTION RATE</u>	<u>ANNUAL ADD-UP AMOUNT</u>
W1 -	W2,500,000	100%	W0
2,500,001 -	14,166,666	30%	1,750,000
14,166,667	or over	0%	6,000,000

e. Basic deduction. Changed the deductible amount from W480,000 to W600,000.

f. Disabled deduction. Eligible dependents for this deduction are expanded to include those dependents (i.e., disabled lineal ascendants and lineal descendants including adopted children, brothers and sisters) of the employee's spouse, providing that they reside in the employee's residence.

g. Earned income tax credit. The tax credit (20% of the computed tax amount, not to exceed W500,000 per tax year or W41,666 per month) was applicable to an employee only if his/her taxable earned income was under W3,000,000 per month or W36,000,000 per tax year. For an employee whose taxable earned income was over W36,000,000 per tax year, another calculation was needed to compute his/her disposal income to obtain marginal income tax credit. However, it now applies to all employees regardless of their taxable earned incomes over or less the limitation.

h. Marginal income tax credit. Deleted.

i. Stock savings tax credit. A new tax credit (10% of the total deposits) was added and is applicable to an employee who participates in a stock savings plan for the periods 1 July 1992 through 30 June 1993, with the maximum deposits of W5,000,000.

j. Income tax rates. Tax bases and tax rates were expanded from 5 brackets to 6 brackets. Table 7-2 was replaced with the following:

<u>ANNUAL TAX TABLE</u>			
<u>OVER</u>	<u>BUT NOT OVER</u>	<u>TAX RATE (PERCENT)</u>	<u>ANNUAL OFFSET</u>
			<u>AMOUNT</u>
W1	W4,000,000	5	W0
4,000,000	8,000,000	10	200,000
8,000,000	16,000,000	20	1,000,000
16,000,000	32,000,000	30	2,600,000
32,000,000	64,000,000	40	5,800,000
64,000,000		50	12,200,000

k. Minimum tax amount. The minimum tax amount to be withheld was raised from W100 or more to W500 or more.

APPENDIX E

SUMMARY OF CHANGES
KN Income Tax for CY 1994

On 31 Dec 93, ROK government announced Income Tax Law No. 4661, Amending Law No. 2705, promulgated on 24 Dec 74. This amended tax law became effective 1 Jan 94. Summary of changes are as follows:

a. Education expense deduction. Changed the applicable number of lineal descendants from "two" to "all" for qualified education expense deduction.

b. Earned income deduction. Changed the maximum deductible amount from W6,000,000 to W6,200,000, and replaced Table 7-1 with the following:

<u>ANNUAL TAXABLE EARNED INCOME</u>	<u>DEDUCTION RATE</u>	<u>ANNUAL ADD-UP AMOUNT</u>
W1 - W2,700,000	100%	W0
2,700,001 - 14,366,666	30%	1,890,000
14,366,667 or over	0%	6,200,000

c. Basic deduction. Changed the deductible amount from W600,000 to W720,000.

d. Disabled deduction. Changed the deductible amount from W480,000 to W540,000.

e. Income tax rates. Tax rates and annual offset amounts were changed. table 7-2 was replaced with the following:

<u>OVER</u>	<u>BUT NOT OVER</u>	<u>ANNUAL TAX TABLE TAX RATE (PERCENT)</u>	<u>ANNUAL OFFSET AMOUNT</u>
W1	W4,000,000	5	W0
4,000,000	8,000,000	9	160,000
8,000,000	16,000,000	18	880,000
16,000,000	32,000,000	27	2,320,000
32,000,000	64,000,000	36	5,200,000
64,000,000		45	10,960,000

GLOSSARY**Section I. ABBREVIATIONS**

APF	appropriated fund
BA	benefits allowance
CAP	consolidated allowance payment
CPO	civilian personnel office
CSY	continuous service years
CY	calendar year
EUSA	Eighth United States Army
HW	holiday work
IAW	in accordance with
ID	identification
KEU	Korean Employees Union
KN	Korean national
KOSA	Korea Support Activity
MIA	Medical Insurance Association
MT	magnetic tape
NAF	nonappropriated fund
ND	night shift differential
NLT	not later than
NPC	National Pension Corporation
OCPD	Office of the Civilian Personnel Director
OP	occupational premium
OT	overtime work

USFK Reg 37-25

PIK	payment in kind
PO	private organization
RAA	remote area allowance
ROK	Republic of Korea
TA	tuition assistance
TFC	Theater Finance Command
U.S.	United States (of America)
USAKSC	US Army Korean Service Corps
USFK	United States Forces, Korea

Section II. TERMS

Asset incomes. The total amount of interest, dividend, and real estate incomes earned during the respective tax year.

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

Earned income. The total amount of regular pay and bonuses earned for personal services rendered during the respective tax year.

Employee. Korean national civilian personnel employed by the employer identified in employer below.

Employer. USEFK and its components including all APF and NAF activities, USAKSC, KOSA, type 1 POs, and all invited contractors.

a. **Type 1 POs.** This term means the United Service Organizations, the American Red Cross, and Credit Unions stationed in the ROK primarily for the benefit and service of USFK.

b. **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.

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.

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, Article 70.

Individual check. A noncomposite check covering the net pay of a single employee, whose name is printed on the check. It is issued to the employee who has no checking or passbook account opened with the banking facilities participating in the bank account payment system for the USFK KN employees.

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, Article 176.

Monthly pay. This means total amount of base pay earned during the current month of the respective tax year. It does not include bonuses, OT, HW, ND, OP, RAA, TA for employee's children, and nontaxable income.

a. The fixed monthly pay for employees paid on a four-week basis will be computed by multiplying the total amount of the current four-week pay by 1.083 or 13/12.

b. The fixed monthly pay earned each month will be used as standard in determining an employee's eligibility for the applicable tax credits.

c. The fixed monthly pay at the time of contract for a savings account, securities savings/housing fund mortgage will be used as standard in determining an employee's eligibility under the savings plan.

Nontaxable income. The types of payment identified in the ROK Income Tax Law, Article 5, which are not subject to withholding tax.

Regular pay. All wages and salaries earned on a monthly or a four-week basis during the respective tax year including base pay, OT, HW, ND, OP, CAP, PIK, RAA, and TA for employee's children, except bonuses.

Savings account. An account contracted with the authorized financial organization to make monthly/bonus deposits for a fixed period of time to obtain the savings in cash or stocks with certain income tax advantages upon maturity.

Securities savings. A savings plan contracted with the authorized trust company for the purchase of securities or bonds by depositing monthly or optional installments for a fixed period of time with certain income tax advantages upon maturity.

USFK Reg 37-25

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.