A Study on Korean Financial Tax System

As industrial structure becomes more sophisticated the role of financial industry is getting more important. Particularly, as new-normal era, which is represented by low interest, low growth rate and low price, is brought to us the taxation for the financial product becomes a very important factor to people and companies’ investment decision.

In this research we try to analyze structures and properties of financial tax system, especially collective investment scheme, insurance and pension, and suggest some improvements for the system.

First, for the collective investment scheme which is called “fund” in Korea, we find that under the current taxation system, investors sometimes have to pay income tax for the fund even though they made loss from the fund. We find that the main reason of the irrational taxation is caused by tax free conditions for capital gains on KOSPI and KOSDAQ stocks. We claim that capital gains need to be levied and stock exchange tax has to be abolished.

Secondly, for the taxation on insurance, we try to analyze the tax treatment on the insurance premium and insurance benefits. We find that if a person receives insurance benefits on insurance accident which is treated as non-taxable income. However if a heritor receivers life insurance benefits which is subject to inheritance tax. We claim that since life insurance is prepared for the survivors inheritance tax for the life insurance benefits need to be moderated.

In third, for the pension taxation, we find that Korean three pillars pension system and taxation scheme is too complicated to easily used and accessed by the people. So we claim that the taxation and tax treatment for the pension need to be more simple and clear,