

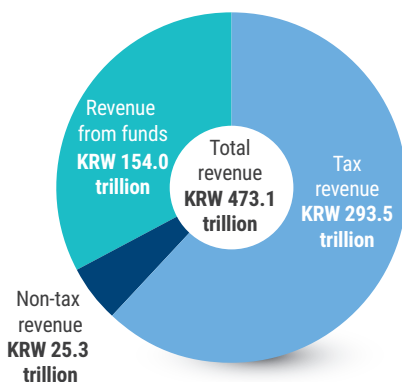
Fiscal Year 2019 Total Revenue Settlement Analysis

Estimates & Tax Analysis Department
Tax Policy Analysis 1 Division
Estimates & Tax Coordination Division

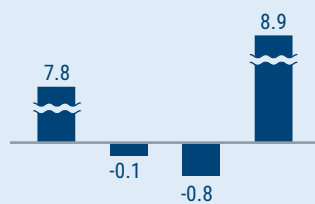
“ According to the settlement of fiscal year 2019 submitted by the government, total income was KRW 73.1 trillion, an increase from the previous year of KRW 7.8 trillion and KRW 3.3 trillion less than the budget. Tax revenue showed a strong uptrend for the past three years but declined slightly to KRW 293.5 trillion due to economic factors such as lethargic domestic demand and a slow business climate, and institutional factors such as EITC expansion and an increase in local consumption tax transfer rate. Non-tax revenue was KRW 179.3 trillion, an increase from the previous year of KRW 8.1 trillion (4.7%). NABO analyzed the total revenue for fiscal year 2019 by categorizing it into tax revenue and nontax revenue as well as eight major insurance programs to serve as fundamental data for the National Assembly's settlement review. ”

I. Total revenue for fiscal year 2019

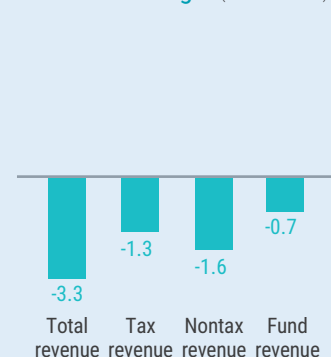
Total revenue in 2019 recorded KRW 473.1 trillion, an increase of KRW 7.8 trillion (1.7%) compared to 2018, but KRW 3.3 trillion (0.7%) less than the budget.



Increased or decreased amount from the previous year (KRW 1 trillion)



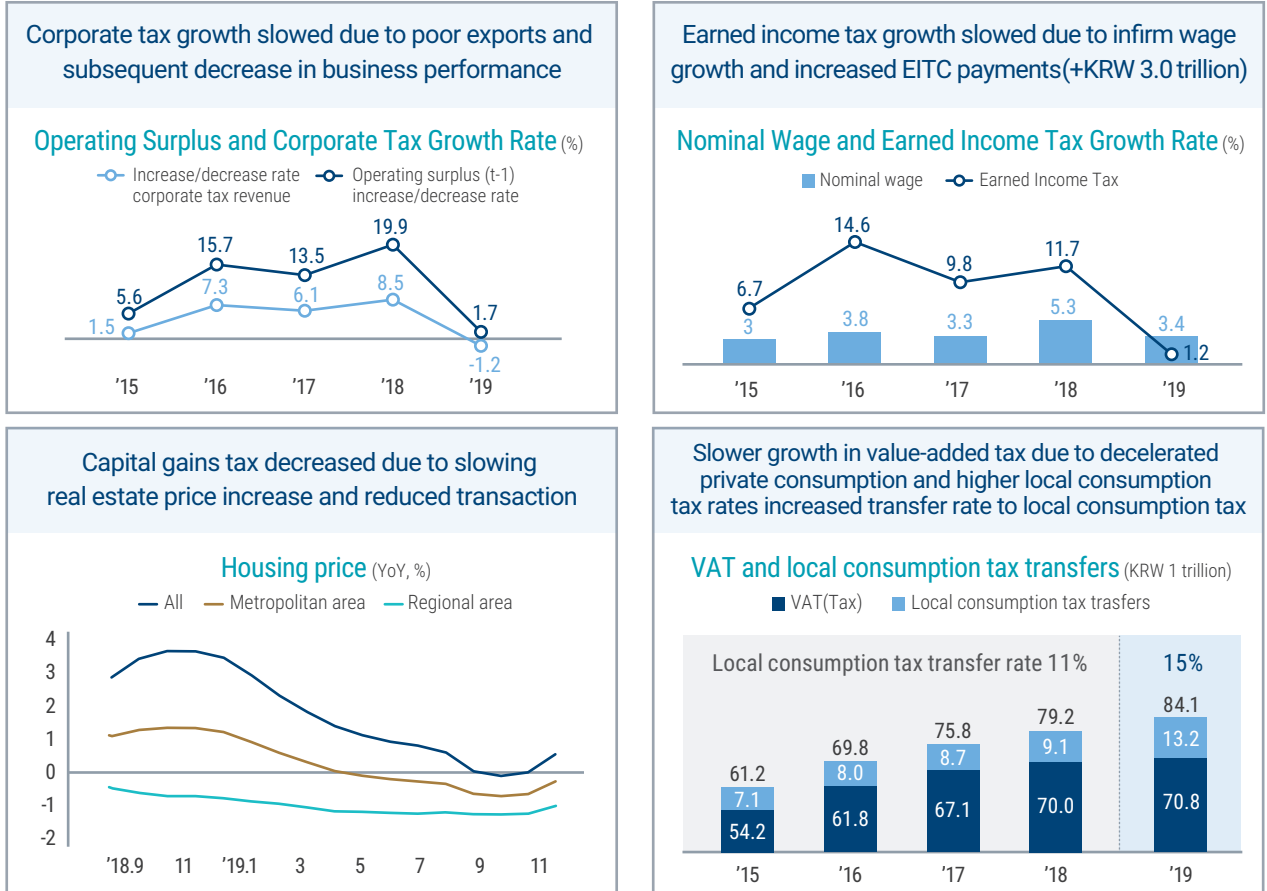
Settlement amount less than the budget (KRW 1 trillion)



II. Analysis of tax revenue

1. The cause of increase and decrease in tax revenue

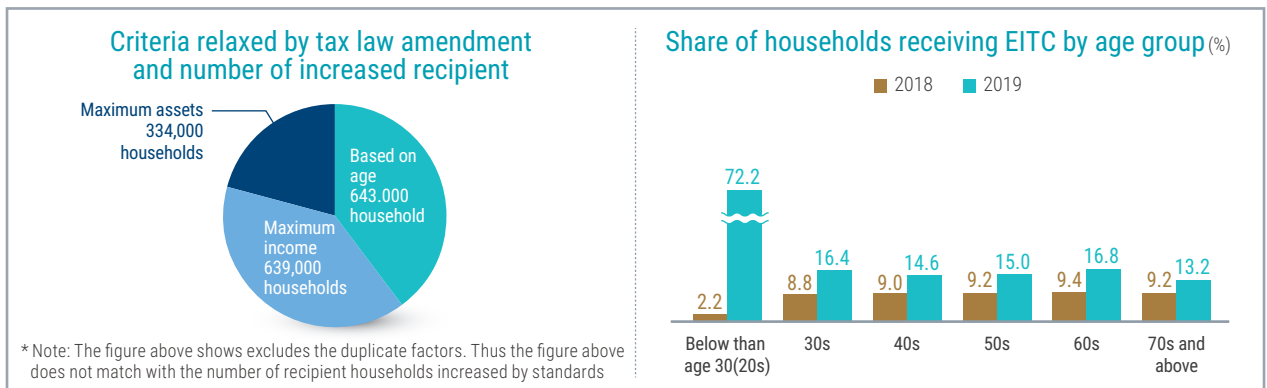
In 2019, both economic and institutional factors reduced national tax revenues.



2. Analysis on the payment status of the EITC in 2019

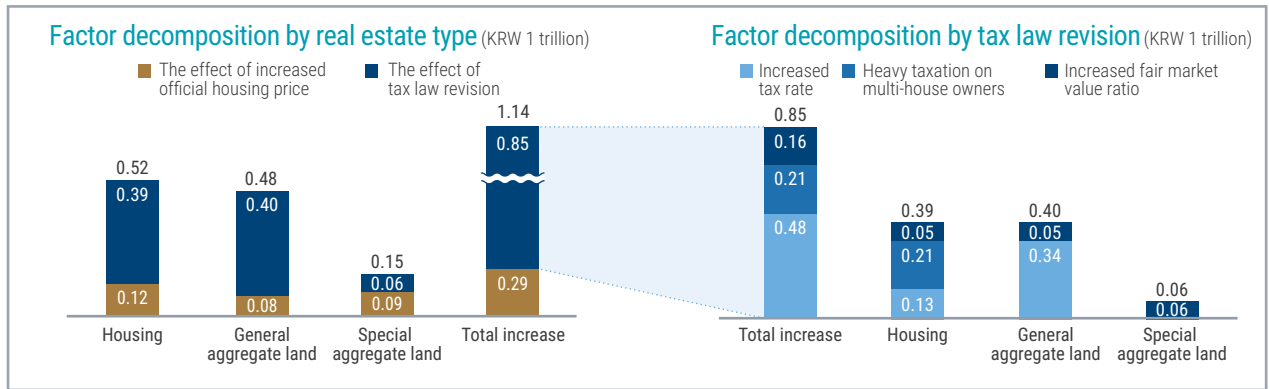
In 2019, KRW 4.8 trillion was paid to 38.85 million households, an increase of KRW 3.0 trillion won and 2.09 million households when compared to the previous year.

- The analysis of expansion factors of the system showed that the abolition of the age criteria contributed the most to the increase in the number of recipient households.
- A significant increase was shown in those under the age of 30 (20s), and a closer review is required for the phenomenon of concentrated benefits among certain age groups.



3. Analysis of the 2019 comprehensive real estate tax burden impact by sector

The comprehensive real estate tax (KRW 1.14 trillion) increased by KRW 0.85 trillion in 2019 due to the revision of the tax law and by KRW 0.29 trillion due to an increase in official housing prices.

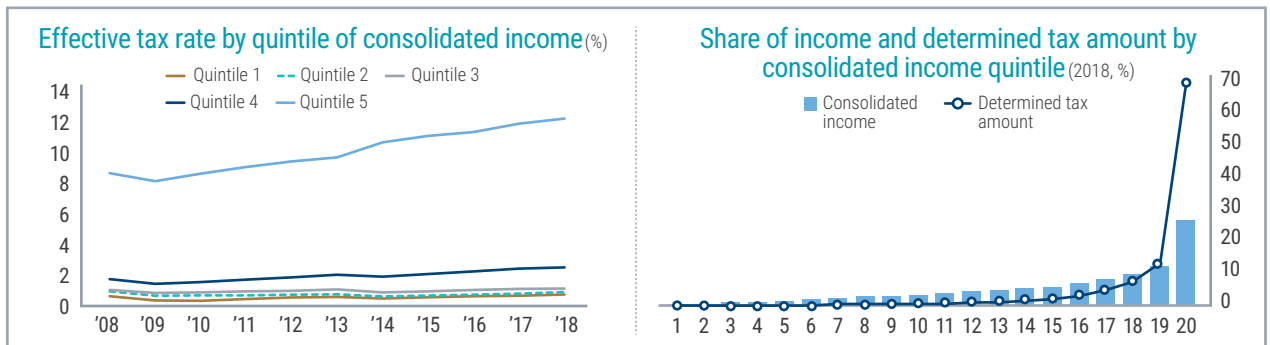


4. Analysis of tax burden and income concentration by income quintile

The effective tax rate in the upper income bracket (the upper 20%) has steadily increased since 2010.

Reinforcing the progressive tax structure contributes to income redistribution reinforcement but it also deepens the concentration of tax burdens on specific classes.

- In order to normalize the tax structure, it is necessary to consider expanding the tax base gradually with actions such as lowering the tax base center axis downward.

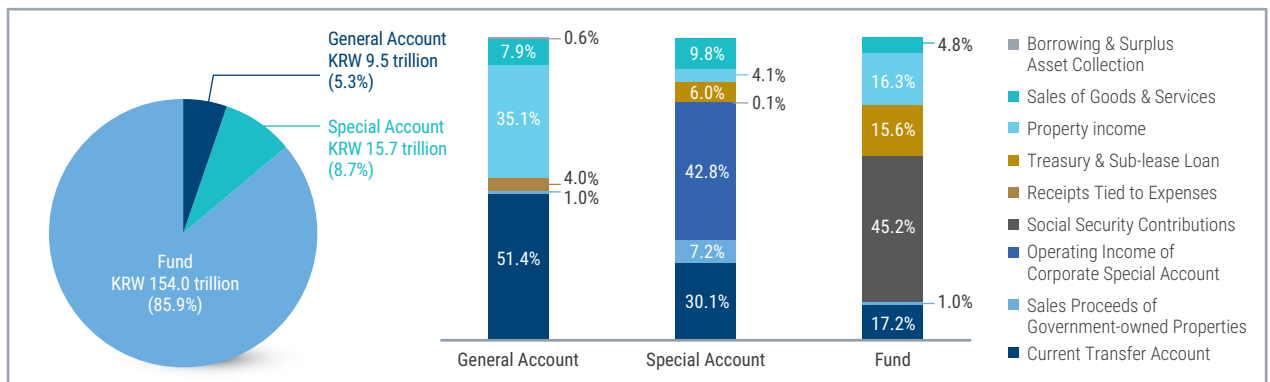


III. Analysis of non-tax revenue

1. Non-tax revenue

Non-tax revenue in 2019 was KRW 9.5 trillion (5.3%) in general accounts, KRW 15.7 trillion (8.7%) in special accounts, and KRW 154.0 trillion (85.9%) in fund

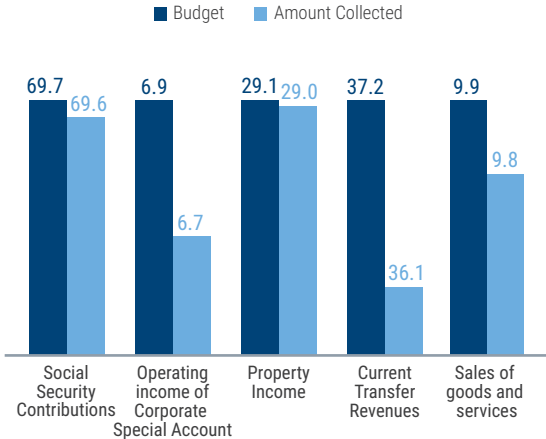
- Current transfer revenues (KRW 4.9 trillion) takes up the biggest share of general account, operating income of corporate special account (KRW 6.7 trillion won) for special accounts account, and social security contributions (45.2 trillion won) for fund respectively.



2. Shortage of amount collected for non-tax revenue

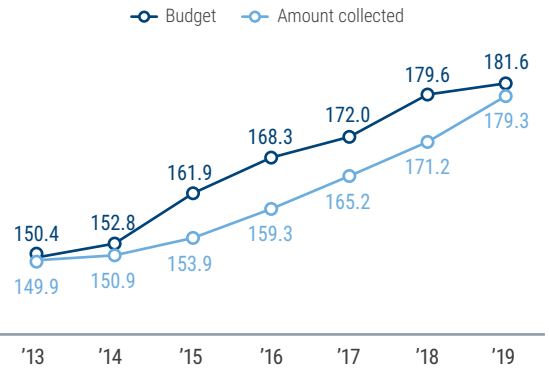
Many non-tax revenue items are not collected compared to the budget.

Non-tax revenue and budget by item (KRW 1 trillion)



The collected non-tax revenue shortage compared to the budget continues from 2013

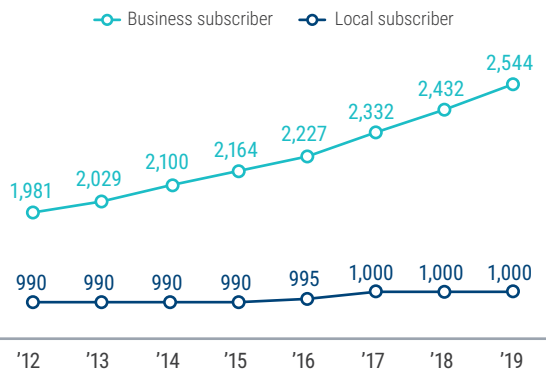
Budget and settlement for non-tax revenue: 2013~2019 (KRW 1 trillion)



3. Analysis of 8 major social insurances

The monthly base income for individually insured contributors to the National Pension has stagnated at the level of KRW 1 million since 2010

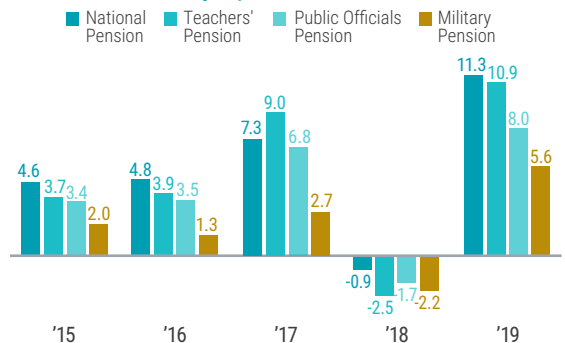
Base monthly income by subscriber (KRW 1 thousand)



It is necessary to review the current calculation criteria of base monthly income

It is necessary to develop a plan for the military pension fund to improve the rate of return

Rate of return for 4 major pension funds (%)



Bond yields in 2015-2019 were particularly low at 0.5-2.4%