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Trending in East Asia: Digital Nomad Visas

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The use of digital nomad visas is a new trend gaining momentum in East Asia. These visas give individuals the legal right to work remotely while residing away from their countries of permanent residence. A relatively new type of work visa, digital nomad visas permit longer stays than a typical tourist visa. And while multiple countries across the globe have employed this type of visa for several years, East Asian countries have steadfastly resisted participation. But that is beginning to change.

Quick Hits

- Digital nomad visas, which give individuals the legal right to work remotely while residing away from their countries of permanent residence, are gaining popularity in East Asia.
- South Korea's motivation behind the use of its digital nomad visa is to encourage highincome foreign individuals to work and live in South Korea to stimulate growth in the country's regional economies.
- Japan introduced its digital nomad visa in April 2024, allowing holders to work remotely in Japan for up to six months.

As telecommuting has become more common, spurred by the COVID-19 pandemic and advances in technology, employers have seen a surge in employee requests to work remotely from their countries of origin. As such, many countries—particularly those that are popular destinations for tourists and digital nomads (e.g., the United States, Spain, and Italy)—have introduced digital nomad visas, allowing people to work remotely in their countries without the typical hurdles and headaches involved with work authorization and tax issues.

Some countries in East Asia, such as Japan and South Korea, are starting to test the waters. Their initial digital nomad visa programs include hefty eligibility requirements, however, and appear to be geared more toward monitoring the interest in and the economic impact of the visas than earnestly welcoming digital nomads.

South Korea started its trial program of digital nomad visas to foreigners on January 1, 2024, and Japan introduced its first digital nomad visa program on April 1, 2024.

South Korea's Trial Program

Digital nomad visas are known by different names in different countries. In South Korea, the digital nomad visa is officially called the Workation visa. Governmental authorities have hinted that one of the main purposes of launching this work visa is to encourage high-income foreign individuals (and their families) to work and live in South Korea for an extended period (up to two years), and, hopefully, enliven its regional economies. (At the same time, South Korea's conservative approach recognizes that digital nomad visas may have some negative economic consequences for areas outside major cities.) Applicants for the Workation visa must meet certain eligibility requirements. Applicants must:

- earn double Korea's gross national income per capita for the previous year, which is ?85 million in 2023 (approximately US\$66,000) in annual income;
- be eighteen years of age or older and have work experience in the same industry for at least a year; and
- · work for a company abroad.

These are not easy requirements, although not impossible to satisfy. For applicants from the United States, the process may include submitting an offer letter, pay slip, and bank statements to prove employment and annual income. Further, applicants may need to submit a clean criminal record, as evidenced by a criminal history certificate (e.g., an identity history summary issued by the Federal Bureau of Investigation (FBI) for U.S. citizens) and proof of private health insurance with coverage of at least ?100 million (approximately US\$75,000).

Individuals who meet the requirements can submit their documentation to the South Korean consulate in their countries of residence. Once the visa is approved, the holder can carry it into South Korea and apply for a residence card, or Korean identification card (known as an Alien Registration Card), which is mandatory for foreigners who plan to reside in South Korea for more than ninety days. It is not yet clear whether a residence card is required before starting work for a foreign employer in South Korea. As the visa comes into broader use, this issue will likely be addressed by further regulation and court precedents.

Japan's Digital Nomad Visa

Japan's Ministry of Justice launched a new digital nomad visa program effective beginning April 1, 2024. Similar to Korea's trial program, the digital nomad visa sets a number of requirements for each applicant, as follows:

- The applicant must be a national of a country that is on the Immigration Services Agency's <u>list</u> of permitted countries.
- The applicant must work remotely in Japan for a period not exceeding six months.
- The applicant must earn annual income of ¥10 million (approximately US\$64,000).

Applicants must submit documents such as a passport; tax payment certificate; income certificate; employment contract or an offer letter; and proof of insurance against death, injury, or illness during their stay in Japan with coverage of at least ¥10 million (approximately US\$64,000) to the Japanese embassy or consulate in their countries of residence.

Notably, unlike South Korea's Workation visa program, which allows holders to stay in Korea for a year with an option to extend up to two years, Japan's digital nomad visa limits the stay to six months without an option to extend.

Employer Impacts and Considerations

The digital nomad visa is *not* a solution for employers with a business interest in having an employee abroad whose work duties would involve Korea- or Japan-related elements or engaging the respective markets to generate profit. Rather, the digital nomad visa is designed for the narrow purpose of the holder's working for a foreign employer. Visa holders are strictly prohibited from employment with a local South Korean or Japanese company or earning money in these regions by engaging in for-profit activities.

Due to these restrictions, employers may want to be mindful of utilizing the digital nomad visa when sending employees to South Korea or Japan to work in conjunction with a local office or to engage in duties that could generate profit in the local market.

Furthermore, both South Korea and Japan provide avenues for local laws applicable to employment relationships where work is typically performed within their territory. This may create significant complications for employers because South Korean and Japanese employment laws are known to be heavily protective of employees, particularly when it comes to their employment termination rights. How the new digital nomad visa programs in these countries will interact with the existing employment law landscapes in South Korea and Japan will only become clear in time.

Thus, despite the recent trend in East Asia, digital nomad visas have limited applicability and may not necessarily be foolproof options for foreign companies sending employees to these regions. If companies allow employees to go abroad for their own personal reasons on digital nomad visas, they run the risk of having to comply with the laws of the host country. The impact is different when, for instance, a U.S. company sends its U.S. employees abroad for business purposes where there is no expectation to comply with the foreign country's employment laws.

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