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Ministry of Trade, Industry and Energy

kotra Korea Trade-Investment Promotion Agency

Business in Korea 2022

Ministry of Trade, Industry and Energy

kotra Korea Trade-Investment Promotion Agency

#Business #Foreign direct investment promotion policy #Incorporation #Sites #In Korea #Tax Reduction and Exemption #Cash grant #Management support #2022 #Taxation #HR and labor #Individual business #Acquisition of real estate

KOTRA자료 22-018

# Business in Korea 2022

Ministry of Trade, Industry and Energy

kotra Korea Trade-Investment Promotion Agency

# Business in Korea
# 2022

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CORPORATE BUSINESS

# KEY CHANGES IN THE 2022 FOREIGN INVESTMENT GUIDE

## Taxation

### Strengthened Tax Support for R&D and Facility Investment in National Strategic Technology p.099

Tax support for companies' R&D and facilities investment were provided for two categories – general investment and investment in new growth technology and source technology. However, a third category, investment in national strategic technology (semiconductors, batteries, vaccines), has been newly established, and the tax credit rate for this category is higher than those for investment in new growth technology and source technology.

**Tax credit for R&D expenses**

[ 10%p higher than investment in new growth tech and source tech ]

**Tax credit for integrated investment**

[ 3~4%p higher than investment in new growth tech and source tech ]

| | Tax credit for R&D expenses | | | Tax credit for integrated investment: For current period | | | Tax credit for integrated investment: Increase |
|---|---|---|---|---|---|---|---|
| | SMEs | Middle | Large | SMEs | Middle | Large | |
| National strategic technology | 40~50% | 30~40% | | 16% | 8% | 6% | 4% |
| New growth tech, source tech | 30~40% | 20~30% | | 12% | 5% | 3% | 3% |
| General | 25% | 8% | 2% | 10% | 3% | 1% | |

### Increased Tax Credit for Increased Employment p.100

* Tax credit is given for three years (two years for large companies) per increased full-time employee

To ease the polarization of employment that worsened due to the COVID-19 crisis, an additional tax credit of KRW 1 mil. is provided for increased employment of young adults and disabled persons outside the Seoul metropolitan area (applicable only for 2021 and 2022).

**Tax credit for increased employment (Unit: KRW, per employee)**

| | SMEs (3yrs) | | Middle-standing (3yrs) | | Large (2yrs) | |
|---|---|---|---|---|---|---|
| | Seoul metropolitan area | Others | Seoul metropolitan area | Others | Seoul metropolitan area | Others |
| Young adults, the disabled | 11 mil. | 12mil. ▼ 13mil. | 8mil. | 8mil. ▼ 9mil. | 4mil. | 4mil. ▼ 5mil. |
| General | 7mil. | 7.7mil. | 4.5mil. | 4.5mil. | - | - |

※ The above amendment is based on the proposal for amendment of tax laws for 2021 (Jul, 26, 2021), and it is advised to confirm the relevant laws at the time of application.

# Industrial Sites

## Establishment of high-tech investment zone

To effectively cope with the change in the global supply change amid the COVID-19 crisis and to further promote investment in high technology, a high-tech investment zone scheme was established.

**High-tech investment**

Investment in businesses involving high technology and high-tech products under the Industrial Development Act and new growth technologies and source technologies under the Restriction of Special Taxation Act

**Designation**

**Existing planned sites**
(industrial complexes, FIZs, FEZs)

**Area favored as destination of large-scale high-tech investment**

*** Designation process:** (Application) Head of the central administrative agency or governor of city or province → (Screening) High-tech investment zone committee → (Designation & public announcement) Minister of Trade, Industry and Energy

Example: | Requirements for designation as a high-tech investment zone

| ◆ Complex-type | | ◆ Individual-type | |
|---|---|---|---|
| **Designation** | Designated on part of existing planned sites such as industrial complexes and economic free trade zones | **Designation** | Designated on the area that the company making large investment in high technology wishes to invest in |
| **Requirement for tenancy:** | Companies investing in high technology satisfying certain investment conditions; shall be available for immediate move-in; area of 50,000 ㎡ or more; investment demand covering 60% or more of the area for move-in | **Requirement for tenancy:** | The investment amount and number of new employment by business type should be satisfied |

**Incentives**

For the tenant companies and research institutions, etc. in the high-tech investment area, regulations providing legal ground for providing various support and exceptions for application of restrictions* for investment in high technology were newly established.

*Provision of subsidies, tax subsidies, reduction/exemption of fees and rent, special exceptions on land use, application for improvement of regulations

# Foreign Investment Zones

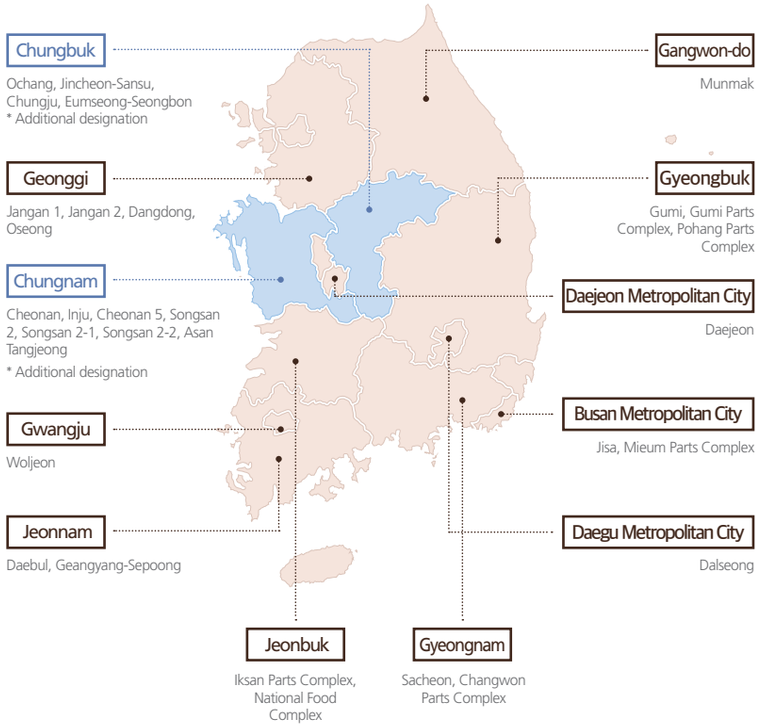
## Eumseong, Seongbon (Jul. 8, 2021) and Tangjeong, Asan (Sep. 10, 2021) were additionally designated as complex-type foreign investment zones p.065

**Before**

Cheonan, Daebul, Sacheon, Gumi, Ochang, Jangan 1, 2, Inju, Dangdong, Jisa, Dalseong, Gumi Parts, Oseong, Pohang, Mieum Cheonan-5. Wolejon, Munmak, Jincheon-Sansu, Songsan 2, National Food Cluster, Chungju, Songsan 2-1. Gwangyang-Sepung, Songsan 2-2. Daejeon (28 in total)

**After**

Cheonan, Daebul, Sacheon, Gumi, Ochang, Jangan 1, 2, Inju, Dangdong, Jisa, Dalseong, Gumi Parts, Oseong, Pohang, Mieum Cheonan-5. Wolejon, Munmak, Jincheon-Sansu, Songsan 2, National Food Cluster, Chungju, Songsan 2-1. Gwangyang-Sepung, Songsan 2-2. Daejeon, Eumseong Seongbon, Asan Tangjeong (30 in total)




* As of end-December, 2021

## Visa

### Reason for change (Enforced date: Jul. 26, 2021) p.072

To diversify the system of issuing a technology start-up (D-8-4) visa to attract more foreign talents starting a business overseas and promoting the employment of Koreans by supporting incorporation

**Before** A foreigner participating in the K-Startup Grand Challenge project and recommended by the Minister of SMEs and Start-ups is granted change to technology start-up (D-8-4) visa without applying the score system.

**After** Addition of eligibility for exemption from the score system

K-STARTUP GRAND CHALLENGE

① A foreigner participating in the K-Startup Grand Challenge project and recommended by the Minister of SMEs and Start-ups is granted change to technology start-up (D-8-4) visa without applying the score system.

Beneficiary of government start-up support project within past 2 yrs

② A beneficiary* of a government start-up support project within the past 2 years who received a recommendation of the Minister of SMEs and Start-ups is granted change to technology start-up (D-8-4) visa without applying the score system.

* The beneficiary should have received grants of KRW 30 million or more from the government

**New** Preferential treatment of intellectual property rights holders from OECD countries who are subject to the score system

The expertise of property rights holders from OECD countries are recognized and they are exempted from OASIS-2 (advanced course on intellectual property rights) education (score of 20 points recognized)

## Labor

### Minimum wage raised p.166

**Before**

KRW **8,720** per hour,
KRW **1,822,480** per month

* Based on 209 hours / applied in 2021

**After**

KRW **9,160** per hour,
KRW **1,914,440** per month

* Based on 209 hours / applied in 2022

## Management Support

### Eased conditions for business incubation p.127

**Before**

A potential foreign investor who can create jobs and added value and contribute to national economy or a foreign-invested company which notified foreign investment of USD 300,000 or more can move in after they are deemed qualified.

*Phone counseling : 02-3497-1003

Potential foreign investor
or
foreign-invested company that notified investment
of USD **300,000** or more

**After**

A foreign investor who is planning to notify investment pursuant to the procedures prescribed by the Foreign Investment Promotion Act and existing foreign-invested companies whose investment amount on arrival basis within one year of move-in is KRW 100 million or more can move in after going through a review.

* Phone counseling : 02-3497-1000

Foreign investor planning to notify investment
or
a foreign-invested company whose investment amount on arrival basis within one year of move-in is
KRW **100 million** or more

## Real Estate

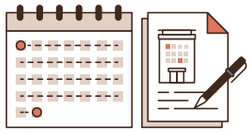
### Deadline for notifying acquisition of real estate p.205

As an identical standard for the period for reporting acquisition of real estate is now applied to both Koreans and foreigners, the deadline for notifying acquisition of real estate to the si/gun/gu office of the place where the real estate is located was unified to 30 days of the date of contract signing.

**Before**

Within **60** days
of the date the contract is signed

**After**



Within **30** days
of the date the contract is signed

# KOTRA's FDI-Related Publications

## Information needed in the investment execution stage after deciding investment

**Leaflets by the Foreign Investor Support Center**

**FAQ on FDI in Korea**

**Guide to Living in Korea**

**Business in Korea**

**[ Procedure ]**
- Foreign Investment Promotion Act
- Requirements for FDI
- Visa
- Notification
- Incorporation

**[ Incentives ]**
- Tax abatement
- Cash grant
- Location

**[ Business operation ]**
- Visa
- Taxation
- Customs clearance
- Labor

### Administrative procedures

- Guide to Business Establishment
- Guide to Acquisition of Real Estate

Registration of foreign-invested company, investment notification, business registration, acquisition of real estate and inflow/outflow of funds for real estate sales

### Investment guidebooks

- Guide to Site Selection in Korea
- Guide to Taxation in Korea
- Environment Policies in Korea
- Guide to Customs Clearance in Korea
- Labor Laws in Korea

Government policies and related policies and regulations that should be considered for execution of investment, Korean laws on labor, environment, tax, and customs clearance (prepared by officials disatched from the central and municipal government offices)

※ The above publications can be downloaded from the IK website www.Investkorea.org

## Publications on Korea's investment environment for the investment attraction stage

**Promotional brochures for investment environment in Korea**

Information on Korea's favorable investment environment and promising industries

Published by the Investment Promotion Team

**IR by industry**

Published by the Investment Promotion Team
Information on Korea's promising industries, global competitiveness, industrial policies, investment sites, etc.

1. IT, ICT
2. New & renewable energy
3. Pharmaceuticals, bio
4. Semiconductor
5. Display
6. Auto parts
7. Precision chemicals
8. Aerospace
9. Machinery
10. Shipbuilding, marine
11. Financial service
12. Cultural content
13. Distribution
14. Logistics
15. Textiles, fashion
16. Beauty
17. Food

**Guide to the cash grant system**

Leaflets, PPT on the cash grant system and guidelines

Published by the Investment Strategy Team (Cash grant center)

**Success stories of foreign-invested businesses**

In-depth interview and success stories of foreign-invested businesses (future-oriented, innovative, and high value-added)

Published by the Investment Promotion Team

**IK promotional brochure**

Introduction to Invest Korea and government efforts to attract FDI (support for developing investment projects, FDI attraction services, etc.)

Published by the Investment Promotion Team

**Invest Korea Magazine**

Korean economy, trade issues, industry trends, foreign-invested company interview, investment site information, FAQ for investors, etc.

Published by the Investment Promotion Team

※ The above publications can be downloaded from the IK website. www.Investkorea.org

# 01

CORPORATE
BUSINESS

# Procedure

- Foreign Investment Promotion Policy
- Types of Foreign Direct Investment
- Procedure by Type of Investment
- Incorporation
- Industrial Sites
- Visa

CORPORATE BUSINESS

Procedure

PART 1

# Foreign Investment Promotion Policy

- Liberalization of FDI
- Foreign Investor Protection
- FDI Incentives

Except as prescribed by other Acts, foreign investors are guaranteed a legitimate right to manage their business operations in Korea freely. To this end, the Korean government has prepared a system to protect foreign investors. Korea's foreign investment policy is in accordance with global standards based on the recommendations and agreements of international organizations such as the OECD, UNCTAD, and WTO. It provides various incentives to foreign investors that create high-quality jobs or encourage domestic economic growth. As such, the Korean government constantly strives to create a business-friendly investment.



## Liberalization of FDI

The Republic of Korea is a country which welcomes foreign direct investment and has a foreign investment promotion policy focusing on investor support. Foreign investors and foreign-invested companies can conduct business in Korea without restraint, except as otherwise prescribed by law.

Rate of Liberalization of FDI

**99.7%**

### Restricted Business Categories

Out of a total of 1,196 business categories listed under the Korean Standard Industrial Classification (KSIC), FDI in Korea is permitted in 1,135 categories. Foreign investment is prohibited in 61 business categories including legislation, public administration, diplomacy, and national defense. Among the permitted business categories, restrictions on shareholding ratio, etc. apply in 29 categories and there are three prohibited business categories - nuclear power generation, radio broadcasting, and terrestrial tv broadcasting.

※ Businesses Prohibited from Foreign Investment (Appendix 1_p.216), Businesses Restricted from Foreign Investment and Criteria for Permission (Appendix 2_p.218)

※ Related law: Regulations on Foreign Investment (Public Notice no. 2020-126 of the Ministry of Trade, Industry and Energy)

## Foreign Investor Protection

### 01. Guarantee of Remittance to Foreign Countries

Remittance of proceeds accruing from the stocks, etc., acquired by a foreign investor, proceeds from the sale of stocks, and the principal, interest, and service charges paid under a loan contract shall be guaranteed in accordance with the details of the report or permission of the foreign investment at the time of remittance.

### 02. National Treatment

Except as otherwise prescribed by law, foreign investors and foreign-invested companies shall be treated in the same manner as nationals of the Republic of Korea and Korean corporations in respect to their business operations.

### 03. Exceptions to the Safeguard Clause on Foreign Exchange Transactions

For foreign exchange and overseas transactions of foreign exchange, the Foreign Exchange Transaction Act is applied unless otherwise prescribed by the Foreign Investment Promotion Act. Foreign exchange transactions may be temporarily suspended or restricted under the Foreign Exchange Transaction Act if such measures are deemed inevitable due to natural calamities, war, armed conflict, grave and sudden changes in domestic and foreign economic conditions, or other situations equivalent thereto. However, such measures shall not apply to foreign investment.

※ Related law: Article 6 (4) of the Foreign Exchange Transactions Act

### 04. Equal Application of Tax Abatement Regulations, etc.

Unless otherwise prescribed by the laws of the Republic of Korea, the provisions concerning the abatement of taxes applied to nationals of the Republic of Korea or Korean corporations shall also apply to foreign investors and foreign-invested corporations.

※ Related law: Article 3 and 30 (1) of the Foreign Investment Promotion Act

# FDI Incentives

※ Refer to Part 2. Incentives for more detailed information (p.084)

## 01. The Roles of FDI

Foreign direct investment offers various internal and external economic benefits, including securing stable foreign capital in the long term, creating jobs, transferring advanced technology and management techniques, and joining the global value chain, all of which contribute to potential economic growth.

Korea seeks to upgrade its industrial structure by attracting FDI in new growth engines and high-tech industries, while focusing national policy on boosting technology transfer by promoting Korea as a global hub for foreign-invested companies through the establishment of regional headquarters and R&D centers, and by expanding the domestic production infrastructure for core material and components in key industries.

## 02. FDI Incentives

The Korean government provides various incentives to foreign investment accompanying high value-added business and job creation effects. These incentives serve as a catalyst for foreign direct investment.

IN DETAIL

**Korea's Incentive Policies for FDI Attraction**

The criteria for granting incentives were revised to give priority on job creation effects and employment. The government will enhance support to foreign-invested companies which make Korea their regional hub by investing in R&D centers or establishing local headquarters. For customized support, the government will expand the eligibility for cash grants to high-tech industries and considerably increase relevant budgets.

[Ministry of Trade, Industry and Energy, Jan. 22, 2019]

With the amendment of the law, where a foreign-invested company reinvests its unappropriated retained earnings in the construction of new or additional factory, the amount proportional to the foreign investment ratio shall be recognized as foreign investment. (p.022).

[Ministry of Trade, Industry and Energy. Aug. 5, 2020]

※ Visa screening guidelines, etc. may change where related laws are amended.

## 03. Summary of FDI Incentives

**Tax Reduction and Exemption** (p.087)

Foreign-invested companies operating in new growth engine industries with technology essential for upgrading the domestic industrial structure and strengthening international competitiveness, or those located in a foreign investment zone, are granted reduction/exemption of customs duties and local tax. In addition, income tax is reduced or exempted for foreign engineers and employees prescribed by the relevant law.

**Cash Grant** (p.111)

Foreign-invested companies which operate in new growth engine industries prescribed by law or material and components industries, create jobs, or make an investment in an R&D facility in a new growth engine industry are eligible to receive a cash grant for purposes prescribed by the relevant law.

**Site Support** (p.103)

In order to attract quality foreign investment, the government has designated foreign investment zones (FIZ), free trade zones (FTZ), and free economic zones (FEZ), which offer reduced rent, tax reduction/exemption, and location support, among other incentives.

**Additional Incentives**

Foreign-invested companies can receive employment and training subsidies depending on their contribution to the national economy in regard to job creation, technology transfer, and factory location. In regard to foreign investments that meet certain requirements, lease and sale of state and public property is permitted, and rent reduction or exemption is also granted.

CORPORATE BUSINESS

Procedure

PART 2

# Types of Foreign Direct Investment

- Foms of Foreign Direct Investment

Foreign Direct Investment (FDI) refers to where a foreigner's investment is at least KRW 100 million and the foreign invested ratio is a minimum of 10% of the total investment amount. Foreign investors and foreign-invested companies may conduct business in Korea without restraint except as otherwise prescribed by other Acts of the Republic of Korea. The types of FDI are as follows: acquisition of stocks or shares of a Korean company, an overseas parent company's provision of long-term loans with a maturity of at least five years to a foreign-invested company, and a foreigner's contribution to a non-profit organization.
In addition, a foreign-invested company's utilization of its unapproriated retained earnings for building a new factory or expanding an existing one shall also be recognized as foreign direct investment. The objects of investment to acquire stocks or shares include the following: foreign currency, capital goods, proceeds from acquired property, and industrial property rights.



## Forms of Foreign Direct Investment

### 01. Acquisition of Equity Shares

Acquisition by a foreigner of shares or equity shares of a corporation or a business **to establish continuous economic relations with a Korean corporation/ business**

**Investment of KRW 100 million or more**

Amount to be invested per person when two or more persons plan to invest

+

**Ownership of 10% or more of voting shares**

Both new or existing shares may be acquired

IN DETAIL

**Exceptions to the requirements for equity share acquisition**

Even when a foreigner invests KRW 100 million or more but acquires less than 10% of the equity shares of a domestic company, it shall be treated as foreign direct investment if the foreigner assigns or appoints an executive to the domestic company.

### 02. Long-term Loans

A loan with maturity of at least five years from a foreign-invested company's overseas parent company or a company having a capital investment relationship with the company to the foreign-invested company

- **Long-term loans may be provided only when equity investment has been made, and the average loan period of at least five years must be satisfied.**

※ Calculation of loan period: The sum of 'the partial repayment or early repayment amount multiplied with the percentage of the repayment in relation to the total loan amount'

IN DETAIL

**Capital Investment Relations**

- Corporate Investor

[Where an investor is a corporation (overseas parent company)]

① A company that holds at least 50% of the total number of stocks issued by, or of the total equity investment of, its overseas parent company (OPC)

② A company whose OPC owns at least 50% of the total number of issued stocks or total equity investment of a foreign-invested company and falls under any one of the following:

- A company that holds at least 10% of the total number of issued stocks or the total equity investment of its OPC
- An entity of which 50% or more of its total issued stocks or total equity investment is owned by its overseas parent company or a company of which 50% or more of its total issued stocks or total equity investment is owned by its OPC.

- Individual Investor

[Where an investor is a foreign individual]

A company of which at least 50% of the total issued stocks or total equity investment is held by an individual foreign investor who owns at least 50% of the foreign-invested company's total issued stocks or total equity investment

## 03. Contribution to a Non-profit Organization ("NPO"), etc.

A contribution to an NPO or a company is recognized as FDI where the foreign contribution amount is at least KRW 50 million and accounts for 10% or more of the total amount and where all of the following conditions are met.

※ Related laws: Article 2 (1) 4 of the Foreign Investment Promotion Act, Articles 2 (2) and (4) through (8) of the Enforcement Decree of the Act

① The NPO or company has independent research facilities in the fields of science and technology, and meets any one of the following conditions:
- There are at least five regular workers with a bachelor's degree in a science or technology field and at least three years' experience in research, or with a master's degree or higher in a field of science and technology
- The NPO conducts R&D activities in the fields of natural science and engineering as classified under the Korean Standard Industrial Classification (KSIC)

② Other contributions to an NPO by a foreigner that meet one of the following conditions, and which are recognized as foreign direct investment by the Foreign Investment Committee:
- An NPO established for the purpose of promotion, etc. of science, art, medical services, or education, and which continues to conduct its business with a view to developing professionals in the relevant fields and to expanding international exchanges
- An NPO that is a regional office of an international organization that engages in international cooperation business between civilians or governments

## 04. New Reinvestment of Unappropriated Retained Earnings

Investment of a foreign-invested company's unappropriated retained earnings for certain purposes such as construction or expansion of a factory (in this case, the foreign-invested company shall be considered a foreigner and the foreign investment amount shall be calculated by multiplying the amount spent and the foreign investment ratio.)

**✦Foreign direct investment by using unappropriated retained earnings (enforced on August 5, 2020)✦**

① A foreign invested company applies (uses) its unappropriated retained earnings to the construction of a new factory or expansion of its factory or to any of the purposes stipulated in Presidential Decree
- In such case, the foreign-invested business is considered to be a foreigner, and the foreign-invested amount shall be the amount obtained by multiplying the amount applied/used for such purpose by the ratio of equity investment by the foreigner(s).

② Applications:
- Construction or expansion of factory or research facility (manufacturing business): When a foreign investor purchases land or building to put up a production/research facility, pays rent or building construction expenses, provides funds for installing infrastructure facilities including power and communication facilities for building a new production/research facility, or intends to purchase capital goods or research equipment and materials
- Construction or expansion of factory or research facility (Non-manufacturing business): When a foreign investor purchases land or building to put up a production/research facility, pays rent or building construction expenses, provides funds for installing infrastructure facilities including power and communication facilities for building a new production/research facility, or intends to purchase capital goods or research equipment and materials

## INFORMATION

### Key Terms

**Foreigner(s)**
- Individual(s) with foreign nationality
- Corporation (foreign corporation) founded under the statute of a foreign country
- International economic cooperation organizations prescribed by Presidential Decree (Examples: IBRD, ADB, IFC)
- A person prescribed by Presidential Decree from among those residing in a foreign country permanently

Note: Permanent resident(s) in a foreign country must always invest foreign currency funds originating overseas without fail (cash, real property, and other assets existing or originating in Korea are not recognized as objects of investment)

**Foreign investor(s)**
A foreigner holding equity shares or who has invested in a domestic business as per the Foreign Investment Promotion Act

**Foreign-invested business or company**
A business or a non-profit corporation invested in by a foreign investor

**Objects of investment**
Any object (means of investment) in which a foreign investor invests in order to possess stocks, etc., as set forth in the Foreign Investment Promotion Act

① **A means of international payment (foreign currency)** or **a means of domestic payment** (national currency) incurred by international payment * Foreign currency inflow principle

② **Capital goods** (*Customs clearance and certification of completion of investment in kind are required after applying for review/verification of statement of capital goods introduced)

③ **Proceeds** (dividends, profit distributed) from the stocks, etc. acquired by a foreign investor
* Reinvestment in Korean won currency is allowed

④ **Industrial property rights, intellectual property rights,** other technologies corresponding thereto, and rights pertaining to the use of such rights or technologies * Appraisal agency

⑤ **Residual property to be distributed to a foreigner upon liquidation** of a foreign-invested company or domestic branch/liaison office of a foreign corporation

⑥ **Any repaid amount of foreign loans or borrowings** as per the Foreign Investment Promotion Act
- Investment in kind by loan claims - Offset-based investment is allowed based on the amendment to the Commercial Act in 2012

⑦ Equity shares or stocks prescribed by Presidential Decree
- Stocks of foreign corporations listed or registered on foreign stock markets
- Stocks held by a foreigner pursuant to a local statute or the Foreign Exchange Transactions Act

⑧ **Real estate** in Korea (real estate acquired through a certified transaction)

⑨ **Proceeds from the disposal of equity shares of a domestic company or real properties** held by a foreigner *Reinvestment in Korean won currency is accepted

Frequently Asked Question & Answer

**Q 01 Will a foreign-invested company be able to retain its status and qualification even if it transfers some of its stocks or shares, or if it reduces its capital and thus fails to meet the foreign investment requirements after registering as a foreign-invested company?**

Even if a company that registered as a foreign-invested company no longer satisfies the FDI conditions due to transfer of shares or capital reduction, its investment shall still be recognized as FDI.

[Article 2 (2) of the Enforcement Decree of the Foreign Investment Promotion Act]

※ In this case, the company is only allowed to have passive and limited rights despite maintenance of qualification as a foreign-invested company. Therefore, the company must be aware of reduced or eliminated support including but not limited to extension of stay period for its executives and staff.

**Q 02 When two foreigners invest together and the total amount of their investment is at least KRW 100 million, can it be recognized as FDI?**

Where two or more foreigners make a joint investment, the amount invested must be at least KRW 100 million per person.

Article 2 (3) of the Enforcement Decree of the Foreign Investment Promotion Act

**Q 03 How can the period of long-term loans be calculated when a grace period or repayment in installments applies?**

The loan period shall be calculated by considering the grace period and the period of the loan to be repaid in installments or prepayments, while the repayment period shall be calculated by multiplying the proportion of the loan to the total amount equal to the period of each installment or prepayment.
⇒ Concept of weighted average term to maturity

Example) What is the repayment period if a foreign-invested company borrows USD 10 million from its parent company for eight years and pays back the loan at a rate equal to USD 2 million per year for five years starting from four years after? The weighted average repayment period of six years is met.

* 6 years = (8 years X 2/10) + (7 years X 2/10) + (6 years X 2/10) + (5 years X 2/10) + (4 years X 2/10)

Article 2 (2) of the Enforcement Rules of the Foreign Investment Promotion Act

Frequently Asked Question & Answer

**Q 04 Are non-voting preferred stocks included in the ratio of foreign investment?**

Investment in non-voting preferred stocks is not recognized as FDI which requires notification since foreign investors must acquire at least 10% of stocks with voting rights when notifying their investment for the first time. However, when the same investor acquires preferred stocks after completing the FDI notification process, it is recognized as an increase in the total investment amount and thus, the total investment amount and its ratio increases.

**Q 05 Is it considered foreign direct investment when a foreign-invested company invests in another domestic company?**

It is recognized as a foreign direct investment only if the foreign investor directly invests. Foreign-invested companies are classified as domestic corporations, and thus investments in other domestic corporations by foreign-invested companies cannot be considered foreign direct investment.

**Q 06 Investment associations such as the Small and Medium Enterprise Establishment Investment Association do not have a corporate personality and are therefore organizations, not corporations. However, in many cases foreign investors invest in 10% or more of such associations' shares. Do such cases constitute FDI as prescribed by the Foreign Investment Promotion Act?**

Where a foreigner invests in an entity that is not a Korean corporation or a corporation managed by a national of the Republic of Korea, the investment is not recognized as FDI as stipulated by the Foreign Investment Promotion Act. However, a foreign investment in certain investment associations* that is prescribed as a special case according to a relevant special law** is recognized as FDI according to Article 2 (1) 4 of the Foreign Investment Promotion Act.

* Small and Medium Enterprise Establishment Investment Association, Korea Venture Fund, Specialized Parts and Materials Investment Association, Agricultural and Food Investment Association, etc.

** Article 64 of the Act on Special Measures for the Promotion of Venture Business, Article 53 of the Act on Special Measures for the Promotion of Specialized Enterprises, etc., for Materials and Components, Article 24 of the Act on Formation and Operation of Agricultural, Fisheries and Food Investment Funds, etc.

* Source: e-People FAQ

Frequently Asked Question & Answer

## Q 07 Should foreign investors notify a merger if they take over a domestic company?

In the event of a merger, the entity must notify the merger under Article 11 of the Monopoly Regulation and Fair Trade Act, as is the case of a domestic company.

① Size of applicable companies

- Notifying company (foreign investor): KRW 300 billion or more in total assets or sales
- Partner company (domestic company): KRW 30 billion or more in total assets or sales

② Mergers requiring notification

- Where a company holds at least 20% (or at least 15% in the case of a listed corporation) of the total number of shares (excluding non- voting shares) issued by another company
- Where an individual who holds at least 20% (15% in the case of listed companies) of the shares issued by another company becomes the largest shareholder by acquiring additional shares of that company
- Where an executive officer of a large company concurrently holds an executive officer position in another company
- In the case of a corporate merger
- Where a company takes over the business
- Where the company participates in the establishment of a new company and becomes the largest shareholder thereof

※ Notification following the merger is permitted when a foreign investor's total assets or sales is KRW 300 billion or more although a large company with total assets or sales of KRW 2 trillion or more is required to notify the merger prior to it taking place (prohibition of action). However, even in cases requiring pre- merger notification, FDI notification can be made through a delegated agency such as a foreign exchange bank (not a violation of prohibition of action).

Frequently Asked Question & Answer

## Q 08 Do capital goods only include facilities such as machinery and vehicles?

Capital goods include industrial facilities, materials for test operation, and technical services which are not for sale and create added industrial value. Materials (excluding those for test operation) and raw materials are not included.

- Machinery, apparatus, facilities, equipment, parts, and accessories as industrial facilities (including vessels, motor vehicles, aircraft, etc.), livestock, breeds or seeds, trees, fish and shellfish which are necessary for the development of agriculture, forestry, and fisheries, and raw materials
- Raw materials and reserve stocks deemed necessary for initial testing (including pilot projects) of facilities as recognized by the relevant Minister and fees for transportation and insurance required for the introduction thereof and other know-how or service necessary therefor

Article 2 (1) 9 of the Foreign Investment Promotion Act

## Q 09 Where a foreigner establishes a corporation with wage & salary income earned in Korea, is it recognized as FDI?

Domestically sourced funds are not recognized as FDI.

CORPORATE BUSINESS

Procedure

PART 3

# Procedure by Type of Investment

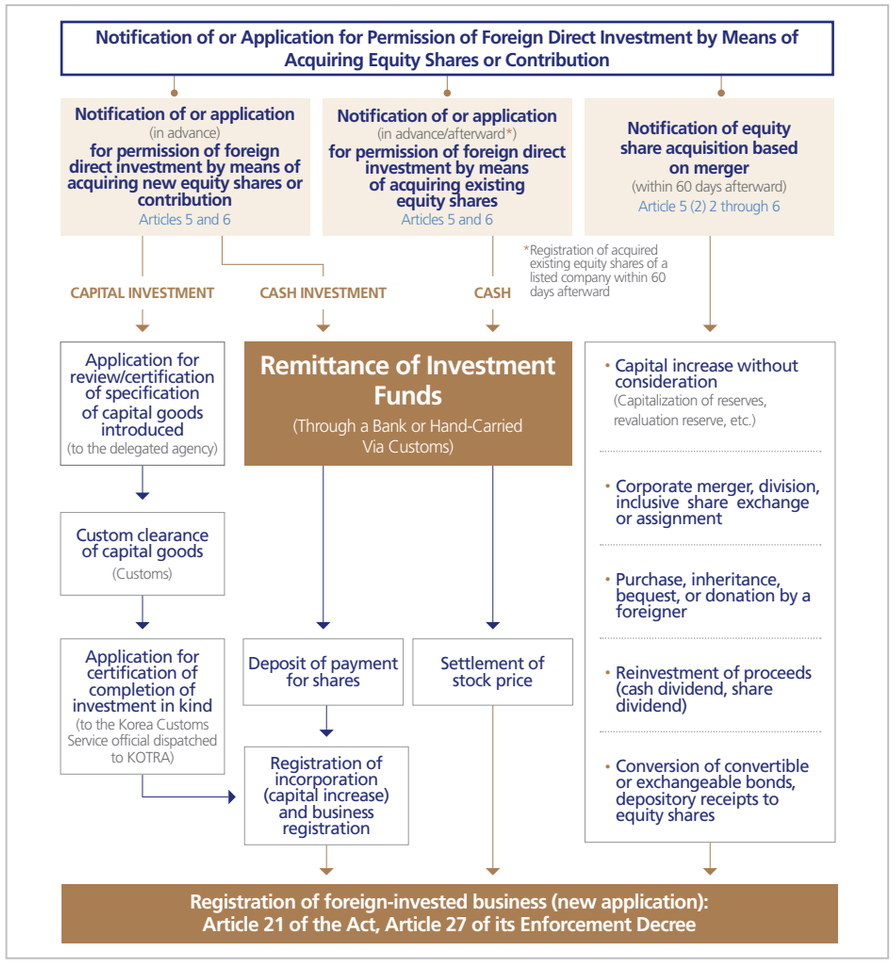
- Incorporation
- Capital Increase
- Acquisition of Existing Stocks
- Long-Term Loan
- Reinvestment of Unappropriated Retained Earnings

Video on How to fill out an FDI notification form



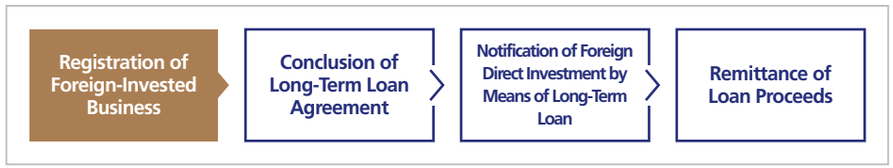
## Foreign Direct Investment Procedures

### • Equity share acquisition (new or existing shares)




* The "Act" above refers to the Foreign Investment Promotion Act

### • Long-term loan



# Incorporation

## Incorporation Procedure

| 01 | 02 | 03 | 04 |
|---|---|---|---|
| Foreign Direct Investment Notification [KOTRA, Foreign exchange bank] | Remittance of Investment Funds [foreign exchange bank, carried through customs] | Registration of Incorporation [court registry office] | Acquisition of Authorization and Permission [when necessary, related organization] |
| Immediately | 2-3 days | 2-3 days | Depends on permit |

| 05 | 06 | 07 |
|---|---|---|
| Notification of Incorporation and Business Registration [Tax office] | Opening a Corporate Account [foreign exchange bank] | Registration of Foreign-Invested Company [delegated agency where the first notification form of FDI was filed] |
| 4 or 5 days | Immediately | 1 day |

※ Related laws: Articles 5 and 21 of the Foreign Investment Promotion Act, Articles 6 and 27 of the Enforcement Decree of the Act, Articles 2 and 17 of the Enforcement Rules of the Act

## 01. Foreign Direct Investment Notification

A foreign investor is required to pre-notify the FDI to KOTRA (Foreign Investor Support Center at KOTRA headquarters or at KOTRA's overseas investment hub offices) or a foreign exchange bank.

★ DOCUMENTS

**Foreign Direct Investment Notification**

- 2 copies of the notification form

(Enforcement Rules of the Foreign Investment Promotion Act, Attached Form 1: notification of foreign investment by acquisition of stocks or contribution and application for its permission)

- Foreign investor's certificate of nationality

(Foreigners: passport; Foreign corporation or organization: business license, certificate of incorporation, or proof that the said corporation or organization is based in the said country)

[In case of non-cash investments]

- Documents certifying object of investment

(e.g. documents certifying the monetary value of industrial property rights)

*Where an agent files an application: Power of Attorney and the agent's identification (ID card)

※ **Contact: KOTRA's Investment Consulting Center (1600-7119)**

IN DETAIL

**Evaluation of Technology**

In order to invest with technology, the foreign investor should submit documents certifying the monetary value of industrial property rights, etc. Technology evaluation agencies are as follows: Korea Institute for Advancement of Technology, Korea Technology Finance Corporation, Korea Evaluation Institute of Industrial Technology, Korea Environment Corporation, Korean Agency for Technology and Standards, Korea Institute of Science and Technology, Korea Institute of Science and Technology Information, and National IT Industry Promotion Agency..

※ Article 30 (4) of the Foreign Investment Promotion Act, Article 39 (2) of the Enforcement Decree of the Act, and Article 4 of the Enforcement Decree of the Act on Special Measures for the Promotion of Venture Business



## 02. Remittance of Investment Funds

A foreign investor may remit investment funds by wire transfer to a temporary account at a domestic bank from overseas or hand-carry the foreign currency through customs directly. In the latter case, the investor should declare the funds at the customs office and receive a 'certificate of declaration of foreign currency'.

In principle, the remitted investment funds should undergo the procedure for deposit of funds for payment for shares and then a certificate of deposit of payment for shares is submitted to the court. However, in case of companies valued less than KRW 1 billion, it is possible to submit a certificate of balance after opening an account in the name of an investor. In this case, the funds can be freely withdrawn for business purposes from the following day.

INFORMATION

**Opening a Temporary Account**

A foreign investor may open a temporary account after submitting documentary evidence of nationality (a certificate of existence of the foreign investor's nation or a passport) to the bank. However, the required documents could differ depending on the financial institution. In addition, the remittance should be done in foreign currency and the purpose of the remittance should be stated 'investment.'

## 03. Registration of Incorporation

The registry division in the court accepts the application for registration of incorporation and it takes two to three days for the registration. The required documents can be checked on the list of application forms and required documents from the Registry of Supreme Court Internet Register Office.

※ See PART 4. Incorporation ▶ Incorporation procedure ▶ 03. Registration of Incorporation (p.049)

## 04. Authorization and Permission

Where deemed necessary for business, a foreign investor must acquire authorization or permission from the competent authorities: District Office, Health Center, Ministry of Food and Drug Safety, etc. The processing period may vary depending on the sort of authorization and permission for the type of business.

※ See PART 4. Incorporation ▶ Incorporation procedure ▶ 04. Authorization and Permission (p.049)

## 05. Notification of Incorporation and Business Registration

Every tax office accepts notification of incorporation and business registration regardless of the jurisdiction. It takes three days for the registration.

※ See PART 4. Incorporation ▶ Incorporation procedure ▶ 05. Notification of Incorporation and Business Registration (p.049)

## 06. Opening of Corporate Bank Account

A foreign investor shall open a corporate bank account at a foreign exchange bank immediately. However, choosing a bank requires careful consideration since opening additional accounts at another bank is restricted for 20 business days.

※ See PART 4. Incorporation ▶ Incorporation procedure ▶ 06. Opening a Corporate Bank Account (p.050)

## 07. Registration of Foreign-invested Company

After the registration of incorporation, foreign-invested company registration shall be undertaken at KOTRA or at a foreign exchange bank where the notification was first made as the last step of FDI incorporation. The registration should be completed within 60 days following the payment of the object of investment.

★ DOCUMENTS

**Registration of Foreign-invested Company**

- Application form
  (Attached Form 17 of the Enforcement Rules of the Foreign Investment Promotion Act: Application form for foreign-invested company registration)
- Incorporation registration certificate / Foreign currency purchase certificate / Shareholder's list /Copy of business license

* Where an agent files an application: Power of attorney and the agent's identification



# Capital Increase

**Foreign Direct Investment Process**

| Foreign Direct Investment Notification (KOTRA, foreign exchange bank) | Remittance of Investment Funds (Foreign exchange bank, hand-carried through customs) | Registration of Corporate Capital Increase (court registry office) | Registration of Foreign-Invested Company / Registration of Alteration (delegated agency where the first notification form of FDI was filed) |
|---|---|---|---|
| Immediately | 2-3 days | 2-3 days | 1 day |

## 01. Foreign Direct Investment Notification

A foreign investor is required to make pre-notification of the foreign direct investment to KOTRA (Foreign Investor Support Center at KOTRA headquarters or at KOTRA's overseas investment hub office) or a foreign exchange bank.

## 02. Remittance of Investment Funds

Proceed in the same way as the incorporation procedure.

## 03. Registration of Capital Increase

The registry division of the court accepts the application for the registration of capital increase, the completion of which takes two to three days. Required documents can be checked on the list of application forms and required shall be undertaken at KOTRA or at a foreign exchange bank where the documents from the Online Registry of the Supreme Court.

## 04. Registration of a Foreign-invested Company or Change in Notified Matters

Registration of a foreign-invested company or change in the notified matters shall be undertaken where the notification was first made (KOTRA headquarters or a foreign exchange bank) as the last step of the FDI registration process.

★ DOCUMENTS

**Foreign Direct Investment Notification for Capital Increase**

- 2 copies of the notification form (Attached Form 1 of the Enforcement Rules of the Foreign Investment Promotion Act: Notification of foreign investment by acquisition of stocks or contribution and application for its permission)
- Foreign investor's certificate of nationality (Foreign individuals: passport; Foreign corporation or organization: business license, certificate of incorporation, or proof that the said corporation or organization is based in the said country)

[In case of non-cash investments]

- Documents certifying object of investment (e.g., documents certifying the monetary value of industrial property rights, certificate of confirmation of completion of investment-in-kind)

*Where an agent files an application : Power of attorney and the agent's identification (ID card)

**※ Contact: KOTRA Investment Consulting Center (1600-7119)**

**Registration of Capital Increase (Registration of Change of Corporation)**

Online Registry of the Supreme Court www.iros.go.kr ▶ Library ▶ Registration application form ▶ Corporate registration ▶ Search (Registration of incorporation)

**※ Contact: Corporate registration handling department of the Registry of Supreme Court (1544-0773→2→3)**

# Acquisition of Existing Stocks

## Foreign Direct Investment Flowchart

Conclusion of Stock Transaction Contract → Foreign Direct Investment Notification (KOTRA, foreign exchange bank) → Remittance of Investment Funds → Registration of Foreign-Invested Company / Registration of Alteration (delegated agency where the first FDI notification form was filed)

Immediately — 1 day

### 01. Conclusion of Contract

Conclusion of contract for transfer of stocks between a foreign investor and existing shareholders.

### 02. Foreign Direct Investment Notification

A foreign investor is required to pre-notify FDI to the Foreign Investor Support Center at KOTRA headquarters or at a foreign exchange bank.

### 03. Remittance of Investment Funds

Payment of investment funds through a domestic bank.

### 04. Registration of Foreign-invested Company or Registration of Change

Registration of a foreign-invested company or registration of change shall be undertaken where the notification was first made (KOTRA headquarters or foreign exchange bank) as the final step in the FDI registration process.

※ Registration of capital increase is required for the acquisition of new shares by capital increase of an established domestic corporation, but not required for the acquisition of existing shares.

**★ DOCUMENTS**

**Notification of FDI through Acquisition of Existing Stocks**

- 2 copies of the notification form
  (Attached Form 1 of the Enforcement Rules of the Foreign Investment Promotion Act: Notification of foreign investment by acquisition of stocks or contribution and application for its permission
- Foreign investor's certificate of nationality
  (Foreign individuals: passport; foreign corporation or organization: business license, certificate of incorporation, or proof that the said corporation or organization is based in the said country)

*Where an agent files an application: Power of attorney and the agent's identification

[In case of non-cash investments]

- Documents certifying object of investment
  (e.g., documents certifying the stocks of a corporation listed in overseas securities markets)
- Documents certifying share acquisition
  (e.g., contract for the purchase of shares)

※ Contact: KOTRA Investment Consulting Center (1600-7119)

**Registration of Foreign-invested Company or Change in Notified Matters**

- Application form
  (Attached Form 17 of the Enforcement Rules of the Foreign Investment Promotion Act: Application form for foreign-invested company registration)
- Incorporation registration certificate
- Foreign currency purchase certificate
- Shareholder's list
- Copy of business registration

*Where an agent files an registration: Power of attorney and the agent's identification

*For registration of change: The original copy of certificate of foreign-invested company registration should be returned.

※ Contact: KOTRA Investment Consulting Center (1600-7119)



# Long-Term Loan

## Foreign Direct Investment Flowchart

Conclusion of Contract → Foreign Direct Investment Notification (KOTRA, foreign exchange bank) → Loan Remittance → Deposit of loan into corporate account of foreign-invested company

Immediately

**INFORMATION**

Long-term loans may be provided only when equity investment has been made by the foreign investor.

### 01. Conclusion of Contract

A long-term loan contract is signed between the loan provider (foreign investor or foreign company with investment relations with the investor) and the foreign-invested company.

### 02. Foreign Direct Investment Notification

A foreign investor is required to pre-notify FDI to the Foreign Investor Support Center at KOTRA headquarters or a foreign exchange bank.

### 03. Remittance of Loan

The foreign investor (loan provider) remits the loan to the corporate account of the foreign-invested company.

### 04. Deposit

The loan is deposited into the corporate account of the foreign-invested company by the loan provider in accordance with the foreign investment notification.

**★ DOCUMENTS**

**Foreign Direct Investment Notification of Long-term Loan**

- 2 copies of the notification form
  (Attached Form 2 of the Enforcement Rules of the Foreign Investment Promotion Act: Notification of foreign investment in the form of a long-term loan)
- Foreign investor (loan provider)'s certificate of nationality
- Document certifying investment relations with an overseas parent company or a parent company
- Copy of the loan contract

* Where an agent files an application: Power of attorney and the agent's identification

※ Contact: KOTRA Investment Consulting Center (1600-7119)

# Reinvestment of Unappropriated Retained Earnings

## Foreign Direct Investment Process

Preparation of investment plan using unappropriated retained earnings → **Notification of foreign direct investment (KOTRA)** → Execution of investment

### 01. Preparation of Investment Plan

The foreign-invested business (notifier) should prepare a written plan for investment using unappropriated retained earnings.

※ The notification form prepared based on the investment plan is examined by KOTRA in advance.

### 02. Notification of Foreign Direct Investment

A notification of foreign direct investment should be made to the KOTRA Investment Service Center in advance.

### 03. Execution of Investment

The investment is carried out by the foreign-invested company as planned.

※ Unappropriated retained earnings recognized as investment = Amount of retained earnings to be invested x Ratio of foreign direct investment

**★ DOCUMENTS**

**When notifying foreign investment through reinvestment of unappropriated retained earnings**

- 2 copies of the notification form
  (Attached Form 2-2 of the Enforcement Rules of the Foreign Investment Promotion Act: Notification of foreign investment through reinvestment of unappropriated retained earnings and notification of change)
- Plan for investment using unappropriated retained earnings
- Audit report of financial statements (external audit report)
- Statement of appropriation of retained earnings for the most recent settlement period
- Foreign invested-company registration certificate

※ For further information: KOTRA Investment Consulting Center (1600-7119)

## INFORMATION

### Pre- and Post-notification

| Category | Notification | Note |
|---|---|---|
| Pre-notification | • Notification of foreign investment by acquisition of stocks or contribution and application for approval<br>• Notification of change of foreign investment by acquisition of stocks or contribution and application for approval | Acquisition of new/existing stocks or contribution (In case of investing in a defense industry company, a request for authorization to the Ministry of Trade, Industry and Energy should be filed) |
| | Notification of investment in the form of a long-term loan and notification of information change | - |
| | Notification of investment by using unappropriated retained earnings and notification of information change | Foreign-invested companies notify to KOTRA Foreign Investor Support Center |
| Post-notification | Notification of foreign investment by acquisition of stocks or contribution and application for approval | Acquisition of existing stocks issued by a listed corporation can be notified within 60 days of the date of the acquisition |
| | Notification of foreign investment by acquisition of stocks or contribution and application for approval<br>• Acquisition of stocks issued by a listed corporation<br>• Acquisition by capital increase without consideration such as capitalization of reserves, revaluation reserves, etc. of a foreign-invested company<br>• Acquisition by corporate merger/split, all-inclusive stock exchange/transfer<br>• Investment of proceeds (dividend) from acquired stocks<br>• Acquisition by foreigner's purchase, inheritance, testation, donation<br>• Acquisition by stock conversion, exchange and buyout of Convertible Bond (CB), Exchangeable Bond (EB) and Depository Receipts (DR) | Within 60 days of the date of the acquisition |

→ Depending on what is notified, FDI notification is classified into pre-notification (prior to stock acquisition) and post-notification (notification after contract signing or stock acquisition)

### Steps to be Taken when Changes Occur during Business Operation

When a change occurs during business operation, notification of change and registration should be filed on the following matters.

| Change | Incorporation registration certificate | Business registration certificate | Certificate of foreign-invested company registration |
|---|---|---|---|
| Company Name | ○ | ○ | ○ |
| Address | ○ | ○ | ○ |
| Capital/Investment Amount | ○ | - | ○ |
| Investment ratio | ○ | - | ○ |
| Purpose of Business | ○ | ○ | ○ |
| Executive | ○ | ○ (Only when a representative is changed) | |
| Address of CEO | ○ | - | |

→ Registration of alteration must be made within 14 days from the date of occurrence of the cause for alteration of an incorporation registration certificate. If not, a fine will be imposed.

Frequently Asked **Question & Answer**

**Q 01 I am aware that 0.4% of the paid-in capital should be paid as registration license tax for foreign-invested company establishment, and that the payable tax amount triples to 1.2% when the head office is located in a Seoul Metropolitan overconcentration control area. Is there any way to avoid heavy taxation?**

According to Article 28 (2) of the Local Tax Act, a company whose type of business makes it unavoidable to establish facilities in a large city may pay 0.4% of the paid-in capital as registration license tax. The applicable business types are specified in Article 26 (1) of the Enforcement Decree of the Local Tax Act.

**Q 02 In the case of FDI, does the foreign investor have to register with the Financial Supervisory Service?**

An application containing the foreign investor registration including personal information should be filed to the Governor of Financial Supervisory Service in advance in a manner prescribed by the Governor of Financial Supervisory Service when the investor intends to acquire or dispose of existing stocks or stocks to be listed for the first time. Foreign investor registration is not required where an investor seeks to acquire or dispose of stocks related to FDI, except in cases where stocks are acquired in a stock market.

**Q 03 My company has a foreign-invested company registration certificate issued by KOTRA. For the sake of convenience, is it possible to register a change in the foreign-invested company registration at a bank and not at KOTRA?**

It is possible to change the foreign-invested company management institution, which is referred to as a change in the delegated agency. A foreign-invested company that intends to change its delegated authority should prepare an application for change* of delegated authority and apply to the original delegated authority. To file an application, use attached Form 2 of the rules on handling of foreign investment matters (application for change of delegated agency).

* Download
www.investkorea.org
▸ Resources ▸ Library ▸ Forms

Frequently Asked **Question & Answer**

**Q 04 Is there any penalty clause if a company fails to comply with its FDI notification obligations?**

FDI notification is not legally binding. If there is a change in the investment plan, a change of information may be notified (including withdrawal of notification).

**Q 05 When a foreigner acquires stocks issued by a domestic company and the value of the stocks is less than KRW 100 million, must the investment be notified?**

Where the investment amount falls short of KRW 100 million and therefore FDI cannot be notified according to the Foreign Investment Promotion Act, a non-resident's securities acquisition report should be made under the Foreign Exchange Transactions Act (Article 7-32 of the Foreign Exchange Transactions Regulations).

**Q 06 A foreign-invested company should pay registration license tax, etc. before registering incorporation. However, the funds deposited in a bank for incorporation purpose cannot be withdrawn before incorporation registration. What can I do?**

There is a system in place which allows the company to receive additional funds for incorporation from the parent company and then pay it back. According to Subparagraph 6 of Article 4-3 of Foreign Exchange Transactions Regulations, expenses by non-residents for the establishment of a foreign-invested company under the Foreign Investment Promotion Act are refundable.

**Q 07 Is it possible to convert long-term loans to stocks or equity by a foreign investor who notified a long-term loan FDI and holds the bond?**

Previously, due to the Commercial Act stating that "Shareholders are not able to counter the company by offsetting payment", it was only possible to prepare loans and make stock payments through repayment procedures, or to convert the loans to investment through investment-in-kind after obtaining the approval of the court. However, as Article 334 of the Commercial Act banning the countervailing of shareholders was deleted, it is now possible to convert long-term loans directly to equity capital without court approval.

* List of KOTRA's overseas investment hub offices

www.investkorea.org

Resources ▸
Contact Us ▸
Investment hub offices

### Q 08 Is it possible to make an FDI notification online?

Online notification is currently not available, but KOTRA's overseas investment hub offices provide FDI notification service for the convenience of investors. A list* of KOTRA's overseas investment hubs is provided on the Invest KOREA website.

### Q 09 When choosing the name of a foreign-invested company, should company names already registered in Korea be avoided?

Article 29 of the Commercial Registration Act regulates that a company name which is identical to a company name registered by another company for the same type of business cannot be registered in the same Special Metropolitan City, Metropolitan City, Special Self-governing City, City (including an administrative city) or county (excluding a county within a metropolitan city).

### Q 10 Does the office lease contract need to be attached when registering the incorporation of a foreign-invested company?

Although the contract does not need to be attached, a confirmed address is needed. The contract should, however, be submitted when filing a business registration after the registration of incorporation is completed.

CORPORATE BUSINESS

Procedure

PART 4

# Incorporation

- Types of Corporations
- Forms of Corporations
- Incorporation Procedure

Video on how to establish a corporation

Video on how foreigners can start business in Korea

Foreigners can do business in Korea by acquiring new or existing stocks (including incorporation) pursuant to the Foreign Investment Promotion Act or by establishing a local branch or a liaison office as prescribed in the Foreign Exchange Transaction Act. A foreign-invested company is a domestic corporation established under the Commercial Act and classified as a partnership company, a limited partnership company, a limited liability company, a limited company, or a stock company. The most common types of corporations established by foreign investors are a limited company and a stock company.



## How Foreigners Can Start Business in Korea

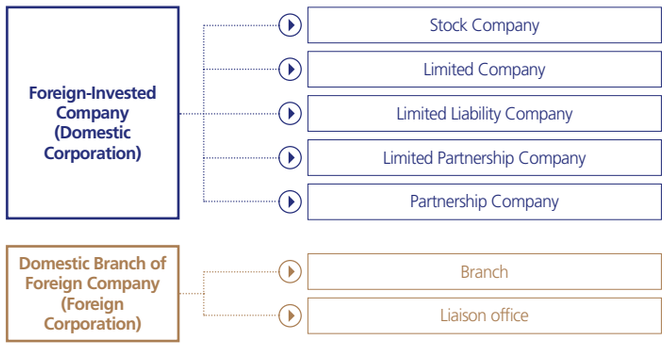
| Category | Foreign-Invested Company | Domestic Branch | Liaison Office |
|---|---|---|---|
| Governing law | Foreign Investment Promotion Act | Foreign Exchange Transaction Act | Foreign Exchange Transaction Act |
| Type of corporation | Domestic | Foreign | Foreign |
| Recognized as FDI | Yes | No | No |
| Company name | No restrictions | Must be identical to that of headquarters | Must be identical to that of headquarters |
| Scope of business activities | No restrictions within the permitted scope | Restricted to same activities as headquarters, within the permitted scope | Not permitted to generate profit, and can only engage in liaison operations |
| Minimum investment amount | KRW 100 million* | No restrictions | No restrictions |
| Legal liability | Liability limited to domestic corporation | Liability extends to domestic corporation and headquarters | Liability extends to domestic corporation and headquarters |
| Independence | Independent from headquarters | Subordinated to headquarters | Subordinated to headquarters |
| Loans in Korea | Possible depending on credit rating of the domestic corporation | Almost impossible | Impossible |
| Establishment procedures | 1. FDI notification<br>2. Remittance of investment funds<br>3. Registration of incorporation<br>4. Business registration<br>5. Registration of foreign-invested company | 1. Notification of domestic branch establishment<br>2. Registration of incorporation<br>3. Business registration | 1. Notification of domestic branch establishment<br>2. Registration of identification number |
| Accounting and taxation | Obligation of bookkeeping according to Korean Accepted Accounting Principle and external audit for certain conditions | Obligation of bookkeeping according to Korean Accepted Accounting Principle, but no obligation of external audit | No bookkeeping obligation |
| Corporate tax rate | Tax obligation<br>※ Taxation ▶ National Tax ▶ Corporate Tax (p.138) | | None |
| Taxable income | Total income based on all profit made in Korea and overseas by the domestic corporation | Total profit based on domestic-source income of the domestic branch. Branch tax should be paid in some countries. | None |
| Tax benefits | Tax benefits for foreign-invested company and small and middle-sized business according to the Restriction of Special Taxation Act | None | None |

* A foreigner may establish a corporation with an investment of less than KRW 100 million, although it will not be recognized as FDI and is subject to notification of stocks acquisition (Attached Form no. 7-6 of the Regulations on the Foreign Exchange Transaction) as prescribed by the Foreign Exchange Transaction Act.

## Types of Corporations

Where a foreigner invests at least KRW 100 million with the goal of participating in business operations or acquires at least a 10% share of new/existing stocks with voting rights, it is recognized as a foreign-invested company under the Foreign Investment Promotion Act and established as a domestic corporation under the Commercial Act.

A domestic branch of a foreign corporation as defined under the Foreign Exchange Transaction Act can be classified as a branch or a liaison office depending on whether the entity engages in sales activities. A branch is a foreign corporation having the right to conduct sales activities, while a liaison office is a foreign corporation established for market research and marketing activities but not for sales.




## Forms of Corporations

The Commercial Act recognizes five different forms of companies - partnership company, limited partnership company, limited liability company, limited company, and stock company. However, most foreign-invested companies in Korea fall into the categories of limited company and stock company. Therefore, this guide focuses on these two types of corporation.

### 01. Stock Company

Shareholders of a stock company only have limited liability of their investment amount. It is easier for a stock company to transfer stocks and it can issue bonds and list stocks. For these reasons, most domestic corporations fall under the category of a stock company.

### 02. Limited Company

A limited company is comprised of employees with limited liability of their investment amount only, and thus not responsible for any creditors. A limited company may have restrictions on the transfer of shares in its articles of association. A limited company is exempt from external audits and is thus established by foreign-invested companies which are reluctant to disclose certain information. However, a limited company is now subject to external audit due to an amendment of the Enforcement Decree of the Act on External Audit of Stock Companies applicable from the fiscal year that commences on or after November 1, 2018.

### Comparison of Stock Company and Limited Company

| | Stock Company | Limited Company |
|---|---|---|
| Purpose | Suitable for a large company, easy to invite multiple shareholders | Suitable for small and medium-size business, comprised of small number of persons with mutual trust |
| Minimum Investment Amount | No restrictions (Exception: At least KRW 100 million for FDI) | Same as left |
| Equity Unit | At least KRW 100 | Same as left |
| Capital Transfer | No restrictions | Approval at general meeting required |
| Issuance of Bonds | Possible | Impossible |
| Board of Directors | Yes | No |
| Number of Directors | At least 3 directors (at least 1 director when total capital is less than KRW 1 billion) | At least 1 director |
| Auditors | Required (Except when total capital is less than KRW 1 billion and a non-investment executive is listed) | Not required |
| Possibility of Listing | Yes | No |

**IN DETAIL**

**Companies Subject to External Audit**

① Stock Company

- Stock-listed corporation (Stock market, KOSDAQ, KONEX) or companies to be listed
- For companies with at least KRW 50 billion in total assets or sales at the end of the last fiscal year
- Company that satisfies 2 or more of the following 4 requirements
  - Total assets of KRW 12 billion or more
  - Total debt of KRW 7 billion or more
  - Total sales of KRW 10 billion or more
  - 100+ employees

② Limited Company

- For companies with at least KRW 50 billion in total assets or sales at the end of the preceding business year
- Company that satisfies 3 or more of the following 5 requirements
  - Total assets of KRW 12 billion or more
  - Total debt of KRW 7 billion or more
  - Total sales of KRW 10 billion or more
  - 100+ employees
  - 50+ members (investors)

A limited company is more likely to be exempted from external audit since more requirements need to be met.

※ Article 5 (2) of the Enforcement Decree of the Act on External Audit of Stock Companies (enforced Oct 13, 2020)

**Frequently Asked Question & Answer**

**Q 01 What kind of visas can foreigners receive when they are dispatched to a domestic branch of a foreign-invested company or a foreign company?**

A business investment (D-8) visa is issued to indispensable professional specialists who are dispatched from the overseas headquarters to be engaged in the management, business administration or production and technology of a foreign-invested company, as prescribed by the Foreign Investment Promotion Act. A dispatch (D-7) visa is issued to indispensable professional specialists who are dispatched to domestic branches or offices with at least a year of experience in foreign public institutions, organizations, or headquarters, branches, or offices.

# Incorporation Procedure

The incorporation procedure of foreign-invested company pursuant to the Foreign Investment Promotion Act consists of the following: foreign direct investment notification, remittance of investment funds, registration of incorporation, acquisition of authorization and permission, notification of incorporation, business registration and registration of foreign-invested company. The procedures applied to foreigners are basically the same as those applied to Koreans with the exception of two additional steps of foreign direct investment notification and registration of foreign-invested company. It takes about two weeks for the completion of the incorporation procedure, and an application for residence visa can be filed after completing registration of a foreign-invested company.

## Incorporation Procedure

| 01 | 02 | 03 | 04 |
|---|---|---|---|
| Foreign Direct Investment Notification [KOTRA, Foreign exchange bank] | Remittance of Investment Funds [foreign exchange bank, carried through customs] | Registration of Incorporation [court registry office] | Acquisition of Authorization and Permission [when necessary, related organization] |
| Immediately | Within 2 or 3 days | Within 2 or 3 days | Depends on permit |

| 05 | 06 | 07 |
|---|---|---|
| Notification of Incorporation and Business Registration [Tax office] | Opening a Corporate Account [foreign exchange bank] | Registration of Foreign-Invested Company [delegated agency where the first notification form of FDI was filed was filed] |
| Within 4-5 days | Immediately | 1 day |

※ Related laws: Articles 5 and 21 of the Foreign Investment Promotion Act, Articles 6 and 27 of the Enforcement Decree of the Act, Articles 2 and 17 of the Enforcement Rules of the Act.

Some of the required documents must be apostilled, and the signatory nations of the Apostille treaty are as follows. In the case of non-signatory nations, a notarization of the Korean consulate located in the country is required after obtaining general notarization.

### ★ DOCUMENTS

**Foreign Investor**

- **Certificate of nationality** (Foreigners: passport; Foreign corporation or organization: business license, certificate of incorporation or proof that the said corporation or organization is based in the said country) / **Copy of passport of foreign corporation's representative / shareholders' list of foreign corporation** (document certifying actual owner) / **Where an agent files an application : two (2) copies of power of attorney**

* Documents other than the passport should be apostilled or notarized by a consulate after receiving a general notarization

**Executive (Foreigner)**

- **Certificate of inauguration acceptance** (Apostilled or notarized by consulate after general notarization) / **Copy of passport**

**Representative (Foreigner)**

- **Certificate of inauguration acceptance, signature notarization, certificate of address** (Apostilled or notarized by Consulate after general notarization) / **Copy of passport**

### INFORMATION

## Signatory Nations to the Apostille Treaty

| | |
|---|---|
| Asia/ Oceania 19 nations | New Zealand, Niue, Marshall Islands, Mauritius, Mongolia, Vanuatu, Brunei Darussalam, Samoa, Australia, India, Japan, People's Republic of China (limited to Macau, Hong Kong), Cook Islands, Tajikistan, Tonga, Fiji, Palau, The Philippines, Republic of Korea |
| Europe 52 nations | Greece, The Netherlands, Norway, Denmark, Germany, Latvia, Russian Federation, Romania, Luxembourg, Lithuania, Liechtenstein, Macedonia, Monaco, Montenegro, Republic of Moldova, Malta, Belgium, Belarus, Bosnia and Herzegovina, Bulgaria, San Marino, Serbia, Sweden, Switzerland, Spain, Slovakia, Slovenia, Armenia, Iceland, Ireland, Azerbaijan, Andorra, Albania, Estonia, United Kingdom of Great Britain and Northern Ireland, Austria, Uzbekistan, Ukraine, Italy, Georgia, Czech Republic, Kazakhstan, Kosovo, Croatia, Kyrgyzstan, Cyprus, Turkey, Portugal, Poland, France, Finland, Hungary |
| North America 1 nation | United States of America (including Guam, Maui, Saipan, Puerto Rico) |
| Central & South America 30 nations | Guyana, Guatemala, Grenada, Nicaragua, Dominican Republic, Dominica, Mexico, Barbados, Bahamas, Venezuela, Belize, Bolivia, Brazil, Saint Lucia, Saint Vincent and the Grenadines, Saint Kitts and Nevis, Suriname, Argentina, Antigua and Barbuda, Ecuador, El Salvador, Honduras, Uruguay, Chile, Costa Rica, Colombia, Trinidad and Tobago, Panama, Peru, Paraguay |
| Africa 12 nations | Namibia, South Africa, Liberia, Lesotho, Malawi, Botswana, Sao Tome and Principe, Seychelles, Eswatini, Cabo Verde, Burundi, Tunisia |
| Middle East 4 nations | Morocco, Bahrain, Oman, Israel |
| **Total** | **118 nations** |

* Source: HCCH (Hague Conference) www.hcch.net

## 01. Foreign Direct Investment Notification

A foreign investor is required to pre-notify the FDI to KOTRA (Foreign Investor Support Center in KOTRA headquarters or at overseas investment hub offices) or a foreign exchange bank.

★ DOCUMENTS

### Foreign Direct Investment Notification

- 2 copies of the notification form
  (Enforcement Rules of the Foreign Investment Promotion Act, Attached Form 1: Notification of foreign investment by acquisition of stocks or contribution and application for its permission)
- Foreign investor's certificate of nationality
  (Foreigners: passport; Foreign corporation or organization: business license, certificate of incorporation, or proof that the said corporation or organization is based in the said country)

[In case of non-cash investments]

- Documents certifying object of investment
  (e.g. documents certifying the monetary value of industrial property rights, etc.)

* Where an agent files an application: Power of Attorney and the agent's identification (ID card)

※ Contact: KOTRA Investment Consulting Center (1600-7119)

IN DETAIL

### Technology evaluation

In cases wherein a technology is invested in kind, documents proving the valuation of the technology such as industrial property rights. Technology evaluation agencies include the Korea Institute for Advancement of Technology (KIAT), Technology Guarantee Fund, Korea Evaluation Institute of Industrial Technology (KEIT), Korea Environment Corporation, National Institute of Technology and Standards, Korea Institute of Science and Technology (KIST), Korea Institute of Science and Technology Information (KISTI), and National IT Industry Promotion Agency (NIPA).

※ Article 30 (4) of the Foreign Investment Promotion Act and Article 39 (2) of its Enforcement Decree; Article 4 of the Enforcement Decree of the Act on Special Measures for the Promotion of Venture Businesses

## 02. Remittance of Investment Funds

The foreign investor may wire-transfer the investment funds to a temporary account of a local foreign exchange bank in Korea or hand-carry foreign currency. In the latter case, the foreign currency should be declared to the customs to obtain a foreign exchange declaration certificate.
As a rule, the remitted investment funds should be paid to acquire equity shares, etc. based on the given procedure, and the certificate of deposit of payment for shares should be submitted to the court. In case of a company with paid-in capital of less than KRW 1 billion, however, a bank account balance certificate may be submitted to the court after opening an account at a local bank under the name of the investor. The funds may be withdrawn from such bank account freely for business purposes starting from the next day.

INFORMATION

### Opening of a temporary account

A temporary account may be opened at a local bank by submitting a document certifying the nationality of the foreign investor (document certifying the existence of the country of the foreign investor or the investor's passport). The documents required may vary by bank. The funds should always be remitted in foreign currency, and the purpose of remittance should be stated as investment.



## 03. Registration of Incorporation

The registry division of the court accepts the application for the registration of incorporation and it takes two to three days for the registration. The required documents can be checked on the list of application forms and required documents from the online registry of the Supreme Court.

★ DOCUMENTS

### Registration of Incorporation

Online Registry of Supreme Court www.iros.go.kr ▶Library ▶Registration application form ▶ Corporate registration ▶ Search (Registration of incorporation)

※ Contact: Corporate registration handling department of the Registry of Supreme Court (1544-0773→2→3)

## 04. Authorization and Permission

Where deemed necessary for business, a foreign investor must acquire the relevant authorization and permission from the competent authorities such as the District office, local public health Center, Ministry of Food and Drug Safety, etc. The processing period may vary depending on the sort of authorization and permission for the type of business.

IN DETAIL

### Examples of Business Types which Require Authorization and Permission

Cosmetics manufacturing, sales and import of cosmetics, food manufacturing, food import and sales, sales of medical equipment, medical equipment manufacturing, sales and import of medical equipment, mail-order sales (including E-commerce), restaurant, accommodation, sales of health food, sales and import of health food, travel, attraction of foreign patients, import of liquor, job placement

## 05. Notification of Incorporation and Business Registration

Every tax office accepts notification of incorporation and business registration regardless of the jurisdiction. The processing period is three days.

★ DOCUMENTS

### Notification of Incorporation and Business Registration

- Application form (Enforcement Rules of the Corporate Tax Act Form 73: Notification of incorporation and application of business registration)
- Articles of incorporation / Lease contract / Incorporation registration certificate / Shareholder's list / Foreign currency purchase certificate / Representative's passport / Foreign investment notification form / Certificate of authorization and permission (where necessary) etc.

*Where an agent files an application: copy of the agent's ID card

※ Contact: Department handling value added tax at the National Tax Service (1544-0773→2→3)

## 06. Opening a Corporate Bank Account

A foreign investor may open a corporate bank account at a foreign exchange bank immediately. However, the choice of bank requires careful consideration since opening additional accounts at another bank is restricted for 20 business days.

★ DOCUMENTS

### Opening a Corporate Bank Account

- Incorporation registration certificate / copy of business license / certificate of corporate seal impression / corporate seal / copy of the representative's passport / Shareholders' list of headquarters (document certifying actual owner) / shareholder's list

* Where an agent opens an account: Power of attorney and a copy of the agent's ID card

## 07. Registration of Foreign-Invested Company

After the registration of incorporation, foreign-invested company registration shall be undertaken at KOTRA or at a foreign exchange bank where the notification was first made as the last step of FDI incorporation. The registration should be completed within 60 days following the payment of the object of investment.

IN DETAIL

### Notification or Application Form for Each Step

Websites of relevant organizations provide downloadable files of notification and application forms for each procedure.

- Forms for FDI notification and registration
  Invest KOREA website www.investkorea.org ▸ Resources ▸ Forms
- Registration of incorporation
  Online Registry of Supreme Court www.iros.go.kr ▸ Library ▸ Registration application form ▸ Corporate registration ▸ Search(Registration of incorporation)
- Notification of incorporation and registration of business
  Ministry of Government Legislation www.moleg.go.kr ▸ Search ▸ Enforcement Rule of the Corporate Tax Act ▸ Attached forms

INFORMATION

### Changes to the Registration of a Foreign-Invested Company

**① Changes Related to the Registration of a Foreign-Invested Company**

A foreign investor (or his/her agent) or a foreign-invested company should notify the foreign-invested company's change of information to a delegated agency within 60 days of the date of occurrence of the cause of change.

**② Cancellation of Foreign-Invested Company Registration**

The registration of a foreign-invested company and its authorizations must be revoked or canceled when the foreign-invested company closes its business or where the foreign investor has transferred all of the stocks to a national (or company) of the Republic of Korea or ceases to hold any of the stocks previously held due to capital reduction.

※ Related law: Article 21 of the Foreign Investment Promotion Act, Article 28 of the Enforcement Decree of the Act

IN DETAIL

### Examples of causes for registration of modification:

- Where equity shares are acquired through merger, bonus issue, etc.
- Where equity holding or investment ratio is changed by transfer of equity shares by a foreign investor or capital reduction
- Where the equity holding or investment ratio of the foreign investor is changed by capital increase by a Korean national
- Where the trade name, name, or nationality of the foreign investor or foreign-invested company is changed
- Where the details of foreign investment registration are changed, including the amount invested by the foreign investor, investment ratio, and address of the foreign-invested company

※ Related laws: Foreign Investment Promotion Act Article 5 (2) 2 to 6

★ DOCUMENTS

### Notification of changes in the registration of foreign-invested company:

- 1 copy of application (Form No. 17: Application for registration of foreign-invested company, attached to the Enforcement Rules of the Foreign Investment Promotion Act)
- Original copy of registration of foreign-invested corporation/duplicate copy of corporate registration of foreign-invested business (including cancellations)

[Additionally required documents to be attached]

- Documents certifying investment objects / copy of certificate of completion of investment in kind (when capital goods are invested in kind) / certificate of foreign exchange purchased or copy of certificate of foreign currency deposit / shareholders' roster (corporate seal affixed, certified copy) or documents proving receipt of payments for equity share transfer / Due diligence report by the inspector under the Commercial Act or copy of appraisal report (when equity shares or local real properties are invested in kind) / Other documents proving the relevant changes, including those proving the acquisition of equity shares

* Declaration by proxy: Power of attorney and ID card of the proxy

## INFORMATION

### Cost of Incorporation

Examples of incorporation in overconcentration control zones including Seoul Metropolitan area (with capital of KRW 100 million)

| Category | Amount (KRW) | Notes |
|---|---|---|
| Local registration tax | 1,200,000 | 0.4% of the paid-in capital (tripled when a company is established in an overconcentration control area) |
| Local education tax | 240,000 | 20% of the registration license tax |
| Revenue stamp | 25,000 | Fee for registration application |
| Notarization fee | 1,000,000 | Articles of association, etc. |
| Total | 2,465,000 | |

* The table above includes actual expenses, but excludes legal fees.

### Seoul Metropolitan Overconcentration Control Area

❶ Seoul Metropolitan City

❷ Incheon Metropolitan City [except Ganghwagun, Ongjin-gun, Daegok-dong·Bullo-dong·Majeon-dong·Geumgok-dong·Oryudong·Wanggil-dong·Dangha-dong·Wondang-dong in Seo-gu, Incheon Free Economic Zone (including the areas that lost their status as a free economic zone) and Namdong national industrial complex]

❸ Uijeongbu-si ❹Guri-si

❺ Namyangju-si [Hopyeong-dong, Pyeongnae-dong, Geumgok-dong, Ilpaedong, Ipae- dong, Sampae-dong, Gaun-dong, Suseok-dong, Jigeum-dong and Donong-dong]

❻ Hanam ❼Goyang ❽Suwon ❾Seongnam ❿Anyang

⓫ Bucheon ⓬Gwangmyeong ⓭Gwacheon ⓮Uiwang ⓯Gunpo

⓰ Siheung [except Banwol special area (including the areas that lost their status as Banwol special area)]

* Source: Ministry of Government Legislation (www.moleg.go.kr) → Search → 「Enforcement Decree of the Seoul Metropolitan Area Readjustment Planning Act」 → Attached Forms → Form 1

## ★ DOCUMENTS

### Registration of Foreign-invested Company

- Application form (Attached Form 17 of the Enforcement Rules of the Foreign Investment Promotion Act: Application form for foreign-invested company registration)
- Incorporation registration certificate / Foreign currency purchase certificate / Shareholder's list / Copy of business registration certificate

*Where an agent files an application: Power of attorney and the agent's identification

CORPORATE BUSINESS

Procedure

PART 5

# Industrial Sites

- Overview of Industrial Sites
- Priority Zones for Foreign-invested Companies

Industrial Sites in Korea 2022 (KOTRA)

The type and business category of the relevant company should be considered when choosing the optimal location of the factory site of a foreign-invested company. Generally, a manufacturing company chooses an industrial complex where the factory establishment procedure is relatively simple or constructs a factory at an individual site by altering the use of the site.



## Comparison of Sites

| | Free Economic Zones (9 zones) | Foreign Investment Zones: Complex-type (28 zones) | Foreign Investment Zones: Individual-type (78 zones) | Free Trade Zones (7 industrial complexes, 6 ports/airports) |
|---|---|---|---|---|
| Statutory grounds | • Special Act on the Designation and Operation of Free Economic Zones | • **Foreign Investment Promotion Act** | | • Act on the Designation and Operation of Free Trade Zones |
| Procedure | • Requested by provincial governors or mayors ▶ Review and resolution by the committee ▶ Designated by the Minister of Trade, Industry & Energy | • Requested by provincial governors or mayors ▶ Review by the committee ▶ Designated by provincial governors or mayors | | • Requested by heads of central government agencies / requested by provincial governors or mayors ▶ Review by the committee ▶ Designated by the Minister of Trade, Industry & Energy |
| Eligibility for tenancy | • Local businesses<br>• Foreign-invested companies | • Foreign-invested companies<br>* Ratio of foreign investment 30%↑, KRW 100 million↑<br>* New growth engine industry technology business, advanced manufacturing businesses, R&D, and logistics industry | • Minimum required investment amount for foreign-invested company and by industry (identical to requirements for tax reduction)<br>• Manufacturing: USD 30 million↑<br>• Logistics industry: USD 10 million↑<br>• Tourism service: USD 20 million↑<br>• R&D: USD 2 million↑ & 10↑ researchers hired | • Domestic<br>• Foreign-invested companies<br>* Manufacturing: 50%↑ should be exported<br>* Wholesale business: 50%↑ should be imported and exported<br>* Logistics industry and business support service |
| Tax reduction – Eligibility | • Foreign-invested business or company | • Foreign-invested business or company | | • Foreign-invested businesses |
| Tax reduction – Requirements | • Manufacturing: USD 30 (10) million↑<br>• Logistics industry: USD 10 (5) million↑<br>• Tourism service: USD 20 (10) million↑<br>• R&D: USD 2 (1) million↑ & 10↑ researchers hired<br>• Medical institutions: USD 5 million↑<br>• Development service: USD 30 million↑ | • Manufacturing: USD 10 million↑<br>• Logistics industry: USD 5 million↑ | • Manufacturing: USD 30 million↑<br>• Logistics: USD 10 million↑<br>• Tourism: USD 20 million↑<br>• R&D: USD 2 million↑ & 10↑ researchers hired | • Manufacturing: USD 10 million↑<br>• Logistics industry: USD 5 million↑ |
| Tax reduction – Local tax | • Eligible businesses, reduction amount & period, reduction rate shall be pursuant to the standards prescribed by the Restriction of Local Taxation Act.<br>* The tax credit period may be extended up to 15 years as set forth in municipal ordinances (Acquisition tax, property tax, etc.) | | | |
| Tax reduction – Customs duties | • 100% exemption on imported capital goods for 5 years<br>* For 7-year reductions, individual consumption tax and VAT are reduced | • Imported capital goods: 100% exemption for 5 years<br>* Individual types: Individual consumption tax and VAT reduction | | • Exempted |
| Support for location | • State or publicly-owned land: Rent reduction (50-100% for up to 50 years) | • Rent reduction (1% of the land price, 75-100%) | | • Purchased inclusively by the central or municipal government<br>• State-owned land: Leased up to 50 years (1% of the land price, 50-100% reduction) |

# Overview of Industrial Sites

The type and business category of the relevant company should be considered when selecting the business site of the foreign-invested company. National industrial complexes and general industrial complexes are planned sites in which major customers and related facilities are clustered. It is relatively easier to secure land there, and they offer optimum conditions for operating a business. In Korea, there are certain types of sites developed to attract foreign direct investment. Foreign-invested businesses may consider operating their business in foreign investment zones, free economic zones and free trade zones that have been developed to attract foreign direct investment. They may also consider other planned locations or individual locations with conditions that are suitable for the type of business they plan to operate.

## Types of sites that may be considered by foreign investors

**Planned Sites**

**Industrial complexes**
National industrial complexes, general industrial complexes, urban industrial complexes for advanced high-tech businesses, industrial and agricultural complexes, and lease-type industrial complexes

**Locations focusing on foreign investment attraction**
Foreign investment zones (complexes for lease exclusively to foreign-invested companies), free economic zones, free trade zones

**Key industrial regions to attract local and foreign investment**
Saemangeum, enterprise cities, Jeju Special Autonomous Province, high-tech investment zones

**Clusters for R&D, technology, and specific business categories**
Special R&D zones, international science business belt, advanced medical complex, industrial parks specializing in basic industries, industrial technology parks, environment industry research complex, venture business promotion regions, new technology startup cluster region, urban small business cluster regions

**Smart Regulatory Innovation District**
Regulation-free zones, Special zones for regional development

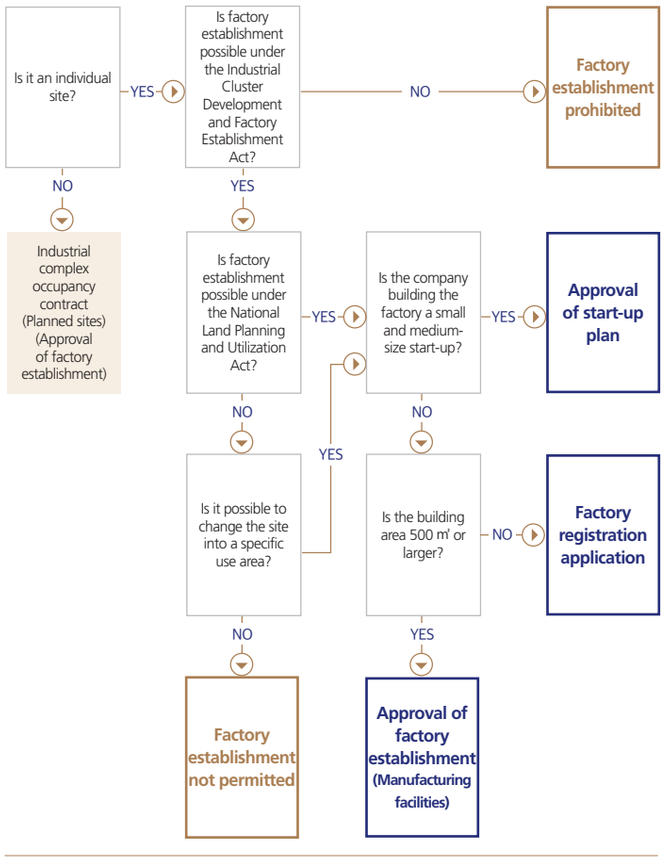
**Sites for balanced regional development**
National industrial complex for innovation and convergence, Innovation cities, and Administrative cities

**Individual Sites**

**Locations satisfying the zoning requirements under the National Land Planning and Utilization Act for constructing and operating factories (factory establishment approval, startup business plan approval)**

Industrial sites can be divided into planned sites and individual sites. For example, in the case of a manufacturing business, which is the most common type of business in industrial sites, a production facility should be established. The factory establishment and permit/licensing procedures vary by location. When a factory is established on an individual site, the permit or licensing procedure is complicated. However, the factory establishment period and permit/ licensing procedures are simplified in industrial complexes or other planned sites that have been developed to facilitate manufacturing businesses. When a candidate site for a manufacturing business is found, it is necessary to examine the restrictions on land use, whether factory establishment is permitted, and whether environmental regulations apply.

## Factory Establishment Procedures for Planned Sites and Individual Sites




*Source: Korea Industrial Complex Corporation www.kicox.or.kr (Compilation of Industrial Location 2021)

# 01.
## Planned Sites and Individual Sites

Korea's industrial site policies are focused on efficiently securing areas for industrial production and operation and selecting quality sites, and recommend establishing a factory in an industrial complex - the most common type of planned site - for efficient management. However, if it is unsuitable to establish a factory in an industrial complex due to business conditions, land prices, etc., it is possible to purchase a separate site and obtain the necessary licenses and permits to establish a factory.

### ① Planned Site (Industrial Complex)

An industrial complex is an area designated and developed under a comprehensive plan to collectively set up industrial facilities and support facilities for employees and users. Assistance is provided to companies wishing to secure factory sites and find partner companies and human resources through clustering and the smooth supply of raw materials and parts. In recent years, industrial complexes have established industry-academia linkages and connected various support facilities.

The types of industrial complexes differ depending on the purpose of development, and the way businesses are managed in relation to factory establishment is different from that of individual sites. In the manufacturing business, the types of businesses that can move in are different depending on the site, and the regulations for operation and management may differ in each complex.

For example, industrial complexes, foreign investment zones (complex-type) and national food clusters operate based on their basic management plan, while the relevant laws apply to free economic zones, the Saemangeum area and INNOPOLISes. In the case of free trade zones, the qualifications for tenancy are prescribed by the Act on Designation and Management of Free Trade Zones.

Because industrial complexes cannot cover all types of industrial sites, a certain area with a special purpose is sometimes designated as an industrial complex and an industrial complex is sometimes designated within a special-purpose area. Some examples of such industrial complexes are foreign investment zones, free economic zones and free trade zones designated for attraction of foreign investment.

INFORMATION

**Restrictions on the Sale or Disposal of a Factory in an Industrial Complex**

In order to promote industrial clusterization, industrial complexes offer sale prices that are lower than the actual value of the land. Accordingly, in order to prevent tenants from purchasing an industrial site at a low price and selling it within a short period of time, regulations regarding the restriction of disposal have been established. The period of restriction on sales or disposal is five years. If land or factory has to be sold before then due to unavoidable circumstances, sale can be made through open sale through a management agency, filing an application for disposal, etc.

→ Not applicable where an existing factory site within an individual site or industrial complex is purchased.

※ Related law: Article 39 of the Industrial Cluster Development and Factory Establishment Act

### ② Individual Site

Individual sites refers to any area outside of a pre-designated or developed site. So when a company purchases or leases land outside an industrial complex or a building in an urban or residential area, a factory can be established in such areas by obtaining a permit or authorization for change of usage.

Where an individual site is selected for operating a manufacturing business, companies can move into factories and Class 2 neighborhood amenities (manufacturing facilities), among the types of buildings pursuant to the Enforcement Decree of the Building Act. However, a "use area" is designated for all land in Korea based on the National Land Planning and Utilization Act, and the permitted activities differ by use area. In this regard, to construct a new building, the use of the building and the activities restricted in the relevant area prescribed by the National Land Planning and Utilization Act and local government ordinances should be checked in advance. If a use area is banned from factory construction, the use area can be changed by altering the city or county (gun) management plan after going through the deliberation of the city planning committee.

※ Refer to the Notice of Standards for Factory Sites or the attached Table of the Enforcement Decree of the National Land Planning and Utilization Act about the type of businesses permitted in each usage area.

### Pros and Cons of Industrial Complexes and Individual Sites

| | Industrial Complex | Individual Site |
|---|---|---|
| Pros | • Favorable SOC conditions including infrastructure<br>• Simplified procedures for obtaining permits for factory establishment<br>• Ease of exchanging information and technology between companies<br>• Reduction of logistics costs<br>• Easier government support compared to individual sites | • Affordable land acquisition<br>• The right place can be chosen as the site<br>• Can be located near market<br>• Small-sized site can be chosen<br>• Ease of sale and disposal of factory site |
| Cons | • Simplified procedures for factory establishment, although there are restrictions on sale and disposal of the site | • Complicated authorization and permit procedures for factory establishment<br>• Fewer incentives including tax exemption and financial support compared to industrial complex<br>• Companies have to install necessary infrastructure including road and water supply facilities<br>• Difficult to control environmental factors near factory |

## 02. Factory Establishment

Factories are business establishments for operating a manufacturing business, and include buildings, factory buildings, manufacturing facilities and their incidental facilities. Manufacturing business refers to manufacturing businesses under the Korean Standard Industry Classification promulgated by the Commissioner of Statistics Korea.

IN DETAIL

### Scope of Factories

- Manufacturing facilities (including facilities for processing, assembling or repairing goods) and test manufacturing facilities
- Incidental facilities installed within a factory site to manage and support manufacturing facilities or for employee welfare or benefits
- Facilities that are required under related laws
- Factory site where the above facilities are established

### Factory Establishment Approval Procedure

Application (within 5 days) → Review (management agency, within 5 days) → Conclusion of contract (management agency) → Conclusion of sales contract (business promoter) → Factory construction → Factory registration (within 3 days)

### ① Factory establishment in an industrial complex (planned site)

Unlike individual sites, many parts of an industrial complex are complete and thus there are not many matters that require permits and licenses. The types of businesses permitted in each industrial complex is pre-determined, which greatly reduces the time required for review.

The industrial complex submits to the management agency an application for tenancy contract, which has the same administrative effect as an application for approval of factory establishment for an individual site. Approval is normally granted within five days of filing an application, but it takes up to 10 days if a negotiation with related organizations is needed.

After obtaining an approval, the procedure for report of completion, confirmation of field visit by a public official and factory registration is the same as the ones for individual sites.

### ② Factory Establishment in an Individual Site

ⓐ Establishment of a factory in an individual site under the Act on Industrial Integration and Factory Establishment

Since there are many laws about factory establishment, it is important to review all the relevant laws and regulations. When a move-in application is submitted, it will be reviewed and approved within 20 days in accordance with Korea's factory establishment approval system.

If the application is filed to the municipality having jurisdiction over the site of the factory to be established, it may be approved within 14 days. If blanket processing* applies, the approval period can be shortened to 7 days or less.

* Blanket processing: A system of permitting the permits and authorizations that should be obtained separately pursuant to individual laws at the same time to increase administrative efficiency and enhance administrative service

Application of location criteria confir mation (within 10 days) → Approval of factory establish ment (within 14 days) → Factory construction → Notification of factory establishment completion → Field inspection by the public official in charge → Factory registration (within 3 days)

- Application for confirmation of conformance with tenancy requirements

This system allows you to confirm in advance whether or not a factory can be established on the site. The results are informed within 10 days of filing an application.

- Factory construction

After factory establishment is approved, ground leveling, infrastructure building and construction can be carried out.

- Factory registration

If a report of factory establishment is completed within two months of finishing construction and machinery and equipment installation, the government official in charge visits the factory and checks whether the plant is operating according to the original application. If there are no issues, factory registration shall be completed within three days of the report of factory establishment.

INFORMATION

| | |
|---|---|
| **Manufacturing Plant** | For a manufacturing plant with construction area of 500 ㎡ or less which does not emit environmental pollutants, factory registration is optional. Therefore, a manufacturing business can be operated after completing the administrative procedures required for the type of business concerned. However, if necessary, factory registration can be completed by filing an application for factory registration, and all necessary permits and authorizations can be obtained by receiving factory establishment approval. |
| **Small Business** | As an exception for factories established by small companies, if a manufacturer who has not completed factory registration at a manufacturing plant needs a factory registration certificate, its business registration certificate shall be deemed a factory registration certificate.<br>※ Related law: Article 62-10 of the Small and Medium Enterprises Promotion Act |

ⓑ Factory Establishment for SMEs in an Individual Location under the Support for Small and Medium Enterprise Establishment Act

### Exemption of start-up charges for manufacturing SMEs

| Charges and Fees | Related Law | Charges and Fees | Related Law |
|---|---|---|---|
| Contribution | Article 138 of the Local Autonomy Act | Waste charges | Article 12 (1) of the Act on the Promotion of Saving and Recycling of Resources |
| Farmland preservation charges | Article 38 (1) of the Farmland Act | Water utility charge | Article 19 (1) of the Act on the Improvement of Water Quality and Support for Residents of the Han River Basin |
| Charges for the development of substitute grasslands | Article 23 (8) of the Grassland Act | | Article 30 (1) of the Act on the Water Management and Resident Support in the Geumgang River Basin |
| Basic charges | Article 35 (2) 1 of the Clean Air Conservation Act | | Article 32 (1) of the Act on the Water Management and Resident Support in the Nakdonggang River Basin |
| Basic discharge charges | Article 41 (1) 1 of the Water Environment Conservation Act | | Article 30 (1) of the Act on the Water Management and Resident Support in the Yeongsangang and Seomjingang River Basins |
| Charges | Article 51 (1) of the Electric Utility Act | Expenses incurred in creating forest replacement resources | Article 19 (1) of the Mountainous Districts Management Act |

→ Exemption from charges and fees for three years from the business commencement date. However, farmland preservation charges and alternative grassland creation costs are exempted for seven years from the commencement of the project.

※ Related law: Article 39-3 of the Support for Small and Medium Enterprise Establishment Act

## IN DETAIL

### Restrictions on Factory Establishment and Exceptions

• No person shall construct a new factory, expand or relocate the existing one, the construction area of which is at least 500 ㎡, nor change the type of business of a factory in an overconcentration control region, growth management region or nature conservation region under the Seoul Metropolitan Area Readjustment Planning Act.

※ Article 20 (1) of the Industrial Cluster Development and Factory Establishment Act

As an exception, however, a foreign-invested company in a foreign investment zone may newly establish, expand or transfer a factory of at least 500 ㎡ (including within a knowledge industry center) or change its business type in a growth management region.

※Article 20 (4) of the Foreign Investment Promotion Act

A new factory (including a knowledge industry center) with a factory building area of not less than 500 ㎡ may be newly or additionally built in Pyeongtaek City, which is in a growth management region. However, new factory construction shall be limited to specific business types.

※ Article 25 of the Special Act on Support, etc. for Pyeongtaek City, etc. Following Relocation of U.S. Military Bases in Korea

### Factory Establishment Support System

Factory-On ( www.factoryon.go.kr ), an online support system for factory establishment: An online factory establishment support system operated by the Korea Industrial Complex Corporation offers one-stop administrative services such as providing factory establishment information, establishment best practice guide, factory establishment grievance resolution, industrial complex move-in support, and application for certificates.

### Local Support Centers for Factory Establishment operated by the Korea Industrial Complex Corporation

Centers in 13 regional headquarters and local branches in the country (Seoul, Incheon, Gyeonggi, Wonju, Cheonan, Daegu, Gumi, Ulsan, Busan, Changwon, Gwangju, Gunsan, Gwangyang) are operated.

• Online Support System for Factory Establishment www.factoryon.go.kr

• Factory Establishment Team of Korea Industrial Complex Corporation
070-8895-7266

### Related Laws for Factory Establishment Procedures

| Law | Content |
|---|---|
| Industrial Cluster Development and Factory Establishment Act | Factory establishment approval process, authorization and permission for site renovation, conclusion of occupancy agreement, etc. |
| Support for Small and Medium Enterprise Establishment Act | The founder of a small and medium-sized enterprise (manufacturing business) may establish a factory with the approval of a start-up business plan (individual sites) |

* Source: Korea Industrial Complex Corporation

### Related Laws for Land Utilization

| Law | Content |
|---|---|
| Seoul Metropolitan Area Readjustment Planning Act | Classification and designation of 3 regions (overconcentration control region, growth management region, nature preservation region), restriction of factory overconcentration in the metropolitan area |
| National Land Planning and Utilization Act | Designation of special-purpose areas or special purpose districts and establishing a standard for buildable structures in the area |
| Industrial Sites and Development Act | Designation and development of industrial complexes (national industrial complex, general industrial complex, urban high-tech industrial complex and agricultural and industrial complex) |
| Building Act | Classification of 29 purposes of a building (procedures for construction and change of purpose) |
| Private Road Act | Procedure for obtaining permission for building a private road |
| Restitution of Development Gains Act | Restitution of development gains accruing from land (Persons subject to charges, standards for imposition of charges, etc.) |

### Special Cases and Support Acts Concerning Establishment of Factories

| Law | Content |
|---|---|
| Act on Special Measures for the Promotion of Venture Business | Special cases for laboratory factory, and venture businesses and founders within a business incubator |
| Act on Special Cases concerning Support for Technoparks | Special cases for factory establishment in a technopark |
| Framework Act on Small and Medium Enterprises | Scope of small and medium entrepreneurs |
| Small and Medium Enterprises Promotion Act | Special cases concerning establishment of factories by small enterprises |

### Environment Related Laws

| Law | Content |
|---|---|
| Clean Air Conservation Act | The Clean Air Conservation Act defines the types of pollutant discharging facilities subject to notification and permission, and defines the "type" of workplaces according to the amount of pollutant emissions. |
| Water Environment Conservation Act | |
| Noise and Vibration Control Act | |
| Waste Control Act | When developing land over a certain size by region, site feasibility and environmental impact should be evaluated. |
| Environmental Impact Assessment Act | |
| Chemical Substances Control Act | Regulations on safety management in places handling chemical substances, preventative management of hazardous chemical substances, preparation and response to chemical accidents |
| Act on Registration, Evaluation, etc. of Chemicals | Regulations on matters related to the registration of chemical substances, evaluation and assessment of the hazardousness and risks of hazardous chemical substances, and designation of hazardous chemical substances |

### Tax Support

| Law | Content |
|---|---|
| Restriction of Special Taxation Act | • Tax incentives for national taxes (income tax, corporate tax)<br>- Tenant companies, start-up companies, companies relocating to a non-metropolitan area, etc., in industrial complexes<br>• Tax incentives for local taxes (acquisition tax, property tax)<br>- Foreign-invested companies |
| Restriction of Special Local Taxation Act | • Tax incentives for local taxes by acquisition of real estate (acquisition tax, property tax, etc.)<br>- Tenant companies, start-ups, knowledge industry centers, companies relocating to a non-metropolitan area, etc. in industrial complexes |

Environmental Policies in Korea 2022 (KOTRA)

## Priority Zones for Foreign-Invested Companies

Industrial sites such as free economic zones, foreign investment zones and free trade zones are designated for the support of foreign investors, and such sites are provided for sale or for lease. These areas are subject to tax relief as well as site support when certain requirements are met. Also, in some cases, the restrictions applied in accordance with related laws are exempted.

### 01. Foreign Investment Zone

There are three types of foreign investment zones: complex-type, individual-type and service-type. Complex-type and individual-type zones provide low rent and additional rent and tax reduction is provided when certain requirements are met. Service-type zones provide subsidies for rent but no tax reduction or exemptions.

#### Designated Foreign Investment Zones

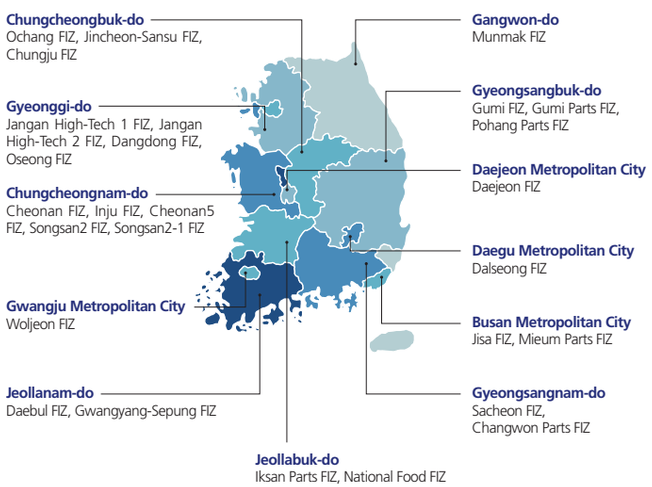
As of end-December 2021

| | Complex-type | Individual-type | Service-type |
|---|---|---|---|
| Number of FIZs | 30 | 78* | 3 |

* An official count is announced after March 2022.

#### Complex-type Foreign Investment Zones

As of end-December 2021




※ For individual FIZs, refer to the Korea Industrial Complex Corporation website (www.kicox.or.kr)

## Rent in Foreign Investment Zones

As of end-December 2021

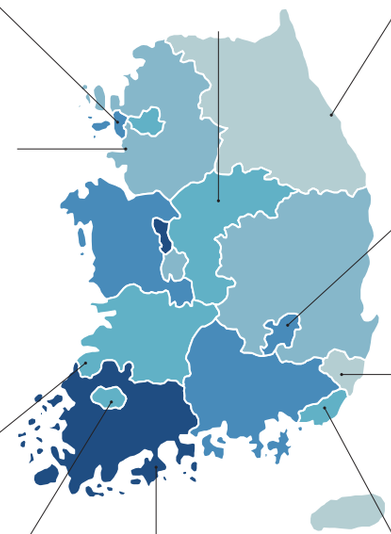
| Complex | Monthly Rent (KRW/㎡) | Complex | Monthly Rent (KRW/㎡) | Complex | Monthly Rent (KRW/㎡) |
|---|---|---|---|---|---|
| Cheonan (Chungnam) | 336 | Dalseong (Daegu) | 258 | Munmak (Gangwon) | 249 |
| Daebul (Jeonnam) | 79 | Gumi Parts (Gyeongbuk) | 166 | Jincheon Sansu (Chungbuk) | 144 |
| Sacheon (Gyeongnam) | 248 | Oseong (Gyeonggi) | 323 | Songsan 2 (Chungnam) | 290 |
| Gumi (Gyeongbuk) | 183 | Pohang Parts | 127 | National Food (Jeonbuk) | 126 |
| Ochang (Chungbuk) | 250 | Iksan Parts | 103 | Chungju (Chungbuk) | 160 |
| Jangan 1 (Gyeonggi) | 289 | Changwon Nammun Parts | 451 | Songsan 2-1 (Chungnam) | 290 |
| Inju (Chungnam) | 178 | Miuem Parts | 500 | Gwangyang Sepung (Jeonnam) | 248 |
| Dangdong (Gyeonggi) | 383 | Cheonan 5 (Chungnam) | 207 | Songsan 2-2 | 290 |
| Jisa (Busan) | 477 | Wouljeon (Gwangju) | (1st)244 / (2nd)244 | Daejeon | 384 |
| Jangan 2 (Gyeonggi) | 303 | Tangjeong | 630 | Seongbon | 202 |

## 02. Free Economic Zone

A free economic zone is an area designated to create a business-friendly environment for foreign-invested companies and improve the living conditions for its employees. In an FEZ, various regulations are eased to ensure autonomous business activities. This area is also used as a special economic zone where various incentives are offered to actively attract foreign investment.
Saemangeum (FEZ status lost in April 2018) is a project area that is directly developed and supported by the government under the Special Act on Promotion and Support for Saemangeum Project, and in this area, land is supplied at a low price and flexible land utilization plan is applied.

## Free Economic Zones in the Country & Saemangum

As of end-December 2021



**Incheon / Incheon International Airport/ Incheon Port**
ighly efficient business environment and advanced logistics, medical service, education and high-tech industries, supported by the world-class Incheon International Airport, port infrastructure, and international business complex

**Chungbuk Province / Cheongju Int'l Airport**
High accessibility due to location in central inland area, hub of IT and BT convergence industries with solar-power, semiconductor and bio clusters, pursuing to become hub of Northeast Asia's aircraft maintenance industry

**East Coast / Yangyang International Airport, Eastern Port**
Rich in non-ferrous metal resources, hosted the 2019 Pyeongchang Winter Olympics, largest non-ferrous metal cluster in Korea, center of green materials buisness and marine tourism, has international logistics and business complexes

**Gyeonggi/Pyeongtaek**
Located at the center of the Pan-Yellow Sea Economic Bloc and a hub of international cooperation. Import/ Export base with China through Pyeongtaek Port and developed as knowledge-based special economic zone. Pursuing a high-tech cluster of global corporations.

**Daegu- Gyeongbuk / Daegu International Airport**
The region is the center of Korea's key industry cluster including the top domestic automobile parts production, IT/SW industry, medical and steel industries, and offers abundant human resources.

**Ulsan port / Ulsan Airport**
Energy hub of Northeast Asia and planning to attract hydrogen businesses (hydrogen cars, fuel cell, parts manufacturing, R&D performance assessment, hydrogen city)

**Saemangum**
The area aims to become a center of free trade and tourism based on a solid industrial foundation (e.g., Gunsa industrial complex)

**Gwangyang Bay / Yeosu Airport, Gwangyang Port**
Strategically located in the heart of the Pacific ocean route, this area is known for its scenic natural environment and infrastructure for convenient production and logistics. Its vision is to become an international trade city that combines new industries with cultural tourism.

**Gwangju Airport / Mokpo Port**
A hub of new convergence businesses based on AI and partnership, which plans to attract businesses in AI, future cars, smart energy and biomedicine

**Busan, Jinhae Gimhae Int'l Airport, Busan New Port**
Busan Port, the world's 6th largest port by volume, is the largest logistics hub in Korea and linked to major feeder ports in Japan, China and Russia. It is the center of shipbuilding, automobile and machinery clusters and also a resort and leisure destination.

## 03. Free Trade Zone

A free trade zone is a special region in which free manufacture, logistics, distribution and trade activities are guaranteed, and various benefits such as tax and rent reduction/exemption and facility support are provided for foreign investment pursuant to relevant laws. In particular, because tariff is deferred in the areas, it has the optimal conditions for import/export activities.

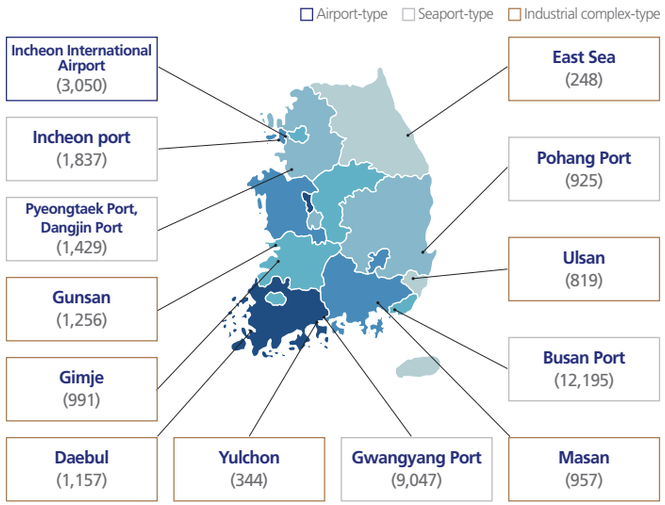
### Overview of Free Trade Zones

| Overseas | Free Trade Zone (Tariff-Free Zone) | Korea |
|---|---|---|
| Goods carry-in<br>Tariff exemption | Production and logistics<br>(Manufacturing and logistics - Production, loading and unloading, transportation, storage, exhibition, trade) | Carrying domestic goods in deemed as export<br>(import clearance) |
| Export (or reexport)<br>Transshipment | | Carrying domestic goods in deemed as export<br>(Tariff refund) |

* Source: Study on the reinforcement of special economic zones for attracting foreign direct investment, Korea Institute for Industrial Economics and Trade, 2013

### Free Trade Zones in the Country

As of end-March 2020 (Unit: 1,000 ㎡)




**IN DETAIL**

Tenancy is permitted to foreign-invested companies, manufacturing and knowledge-based businesses, companies reshoring to Korea, companies in import and export wholesale whose portion of export among sales was 50% or more for one year or longer during the three preceding years. In addition, companies providing service such as loading, unloading and transportation and public organizations are eligible to move in.

※ Related law: Article 10 of the Act on Designation and Management of Free Trade Zones

## 04. Other Sites

### ① Areas focused on maintaining investment

In addition to sites designated to attract foreign investment, Saemangeum, enterprise cities, Jeju Special Autonomous Province, and high-tech investment zones offer various incentives as they have been respectively designated under relevant laws to attract domestic and foreign investments.

### ② R&D, technology and industry clusters

Clusters designated for a specific R&D, technology or industry are designated individually or on existing industrial complexes, and are operated based on relevant laws. In such clusters, incentives are provided for eligible businesses. Also, in some cases, if there are industrial sites within a cluster, a manufacturing business, a specialized business or a related business may move in together. Each cluster is operated and managed based on its basic management plan, so check in advance the relevant area's regulations on tenancy and management for eligibility for occupancy.

| Cluster | Designated areas | Related statutes |
|---|---|---|
| Hi-tech medical complexes | Daegu-Shingseo innovation city Chungbuk-Osong life science park | Special Act on the Designation and Support of Hi-Tech Medical Complexes |
| R&D clusters | Daejeon, Gwangju, Daegu, Busan, Jeonbuk | Special Act on the Development of R&D Clusters |
| International science and business belt | Sindong, Dungok, and Doryong zones in Daedeok Innopolis | Special Act on Establishment of and Support for International Science and Business Belt |
| Specialized complex for ppuri industries | 33 regions, including the Ansan plating business cooperative | Act on the Promotion and Sophistication of Ppuri Industries |
| Logistics complex | 23 logistics complexes under operation in Gangneung | Act on the Development and Management of Logistics Facilities |

※ The designated areas are not limited to the ones listed above.

CORPORATE BUSINESS

Procedure

PART 6

# Visa


- How to Enter Korea
- Procedure for Issuance of a Business Investment (D-8) Visa
- Exclusive Visa-Related Services for Foreign Investors
- Reservation of Visitation for Foreign Residents
- Visa Application by Status of Stay
- Favorable Immigration Policies
- Long-term Residence and Permanent Residence for Large Investors and Executives
- Investment Immigration for Public Business
- Real Estate Investment Immigration


In principle, a foreigner should obtain a visa in advance in order to enter the Republic of Korea. Unauthorized entry and departure is not permitted even for a person who obtained a visa or is eligible for no visa entry, which means every person must go through the immigration declaration process at the border, airport and seaport, and entry may prohibited because of a failure to meet any of the requirements therein. In addition, a foreigner who intends to stay in Korea for more than 90 days should file for alien registration at the immigration office in the jurisdiction of the place of residence or regional immigration service.



## How to Enter Korea

A foreigner can enter Republic of Korea through one of the following procedures:

### < 1 > Obtaining a visa from a diplomatic mission abroad

Issuance of a visa at a Korean embassy or consulate → Immigration inspection at the airport (confirmation) → Permission to enter granted

### < 2 > When necessity for visa is recognized before visa issuance

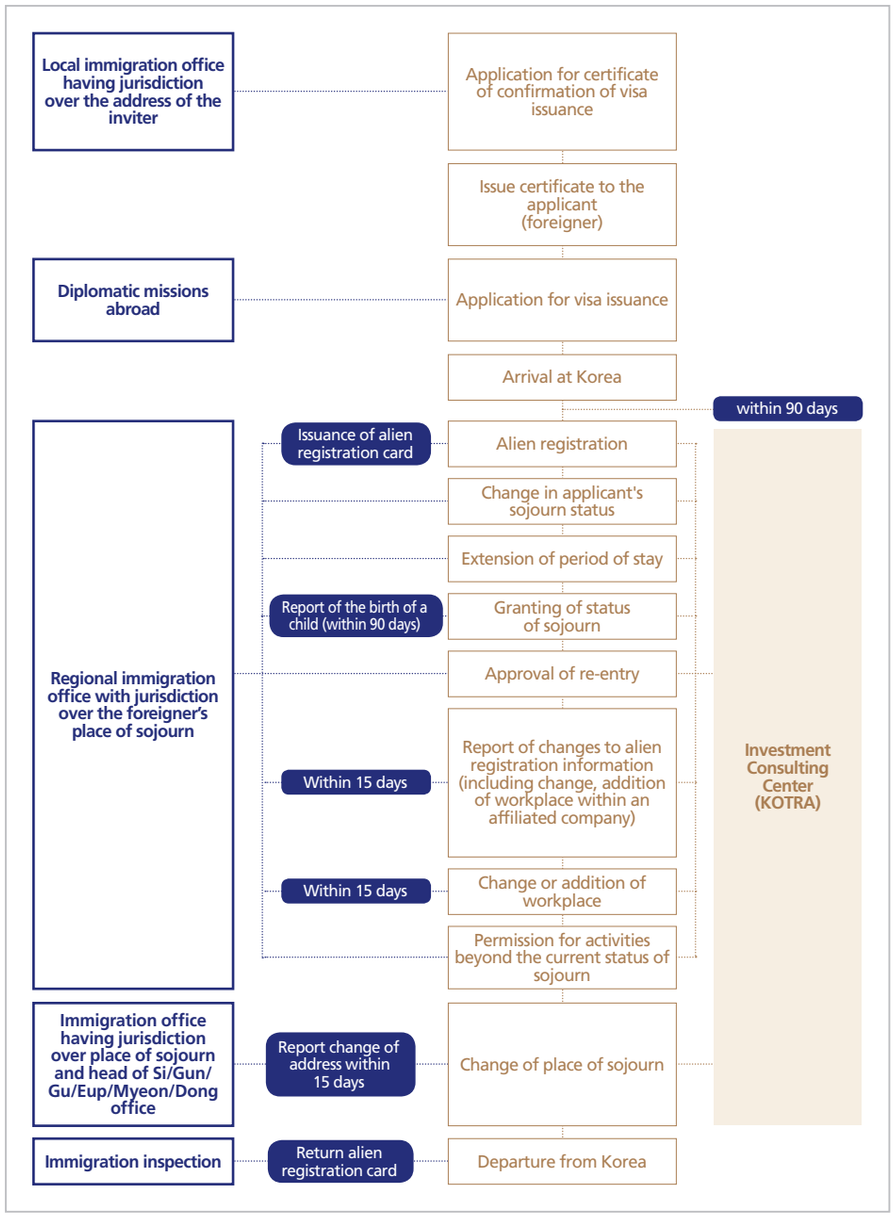
Entry into Korea is permitted by obtaining a certificate of visa issuance (or certification number) from a local immigration office having jurisdiction over the address of the inviter in advance and submitting it to an overseas diplomatic mission.

Certificate of visa issuance or certification number issued from a local immigration office → Visa issuance by a Korean embassy or consulate → Immigration inspection at the airport → Permission to enter granted

### < 3 > Arriving at Korea without a visa and obtaining a visa at immigration inspection at the airport

Arrival at Korean airport without a visa → Immigration inspection at the airport (granting of status of stay) → Permission to enter granted

## Procedure for Issuance of a Business Investment (D-8) Visa




## 01. Issuance of Visa

### ① Procedure

The Minister of Justice has the authority to issue a visa although this authority may be delegated to the heads of overseas diplomatic missions as prescribed by Presidential Decree. In this regard, there are three methods of entry for foreigners: by obtaining a visa issued at a diplomatic mission abroad; by obtaining the status and period of stay through immigration inspection after entry where a foreigner is a short-term visa holder or is from a country with a visa waiver agreement; by obtaining a visa issuance certificate (or certification number) from a regional immigration office in the jurisdiction of the inviting party's residence and submitting it to an overseas diplomatic mission.

### ② Method of Visa Issuance

- The head of an overseas diplomatic mission issues a visa upon acceptance of application. In this case, the types of visas that can be issued is limited to the ones delegated by the Minister of Justice
- A foreigner who plans to enter Korea can apply for a visa or receive a visa issuance certificate or certification number from a regional immigration service with jurisdiction over the inviter's address following an application made by the inviter. In the case of the latter, a foreigner can obtain a visa by submitting an application stating the visa issuance certification number to the head of an overseas diplomatic mission.
- A foreigner with a short-term visa or who is eligible to enter without a visa must change the status of sojourn (to D-8, etc.) at an immigration office or a regional immigration service.

→ Validity of visa issuance certificate: 3 months

## 02. Alien Registration

A foreigner with a long-term visa which permits a stay of longer than 90 days must apply for alien registration within 90 days of the date of entry to a local immigration office having jurisdiction over his/her residence.

## 03. Change of Status of Sojourn

In order for a foreigner to engage in activities that are not permitted under the previously approved status of stay, he/she must obtain permission to change the status of sojourn in advance. A foreigner who engages in other activities without permission may be punished with a fine not exceeding KRW 20 million or receive a deportation order.

### INFORMATION

**① Extension of Period of Stay**

In order for a foreigner to stay beyond the period previously approved, he/she must obtain approval of extension of the period of stay prior to its expiration. The application for approval to extend the period of stay shall be accepted from four months prior to the expiration date, in principle.

**② Foreigner Born in Korea**

A foreigner born in Korea without a status of sojourn must acquire a status of sojourn within 90 days from the date of birth.

**③ Obligatory Self-Application by Foreigners**

All visa-related applications should be made by the foreigner himself/herself. If a foreigner is under 17 or where there are special circumstances due to illness, family affairs or business, a legal agent or an agent duly delegated by the foreigner can make the application. Even where an agent makes an application, the foreigner should be residing in Korea. It is not permitted for a foreigner residing overseas to apply for visa-related permits through an agent in Korea.

**④ Restriction of Application Through an Agent and Cancellation of Permission**

The head of a local immigration office can restrict application through an agent where it is necessary to have the applicant attend in person to assess the cause of application for a stay permit, the sojourn status of the applicant, etc. If it is revealed that an agent filed an application for stay-related permissions through false or unlawful means, the permission may be cancelled or changed.



## 04. Reporting Changes

**① Change of Workplace**

A foreigner who plans to change or add his/her workplace within his/her status of sojourn must obtain an approval of change or addition of workplace in advance. However, a foreigner who possesses professional knowledge, technology, and skills (publicly notified by the Ministry of Justice) may apply for approval within 15 days of the day of the change/addition of workplace. A workplace which hires or brokers the employment of a foreigner without the approval may be subject to a fine not exceeding KRW 10 million or be deported.

**② Activities Beyond the Ones Permitted Under the Status of Stay**

In order for a foreigner to engage in activities beyond the ones permitted under his/her status of stay, he/she must obtain a permission for the activities. A foreigner who engages in other activities without permission may face a fine not exceeding KRW 20 million or a deportation order.

**③ Change of Residence**

A foreigner who changes his/her place of residence must report the change to the head of the Si/Gun/Gu/Eup/Myeon/Dong office or to a local immigration office with jurisdiction over the new place of residence within 15 days of moving into the new place of residence. Failure to do so can result in a fine not exceeding KRW 1 million.

**④ Obligations of Employers of Foreigners**

When an employer who hires a foreigner eligible for employment has dismissed the foreigner, or when the foreigner resigns, dies, goes missing or important matters in the terms of employment are amended, the employer shall report such fact to the head of the competent local immigration office within 15 days of becoming aware of such circumstances. Failure to do so may result in a fine not exceeding KRW 2 million.

* Source: Guide to Employing Foreigners and Visa · Stay in Korea (by Gilnam Park and Bongsoo Jung, Gangnam Labor Corporation)

## Exclusive Visa-Related Services for Foreign Investors

KOTRA's Investment Consulting Center assists foreign investors with all matters pertaining to their visa and stay permits. Immigration officials are dispatched from the Ministry of Justice to handle matters such as change of the status of stay, extension of the period of stay, issuance of reentry permit, granting of the status of stay to children born in Korea, alien registration, report of the change of alien registration information, reporting a change in place of residence, and change or addition of workplace, regardless of the jurisdiction.

In addition, the Seoul Immigration Office's Investment Support Center (accessible also from Seoul Nambu Immigration Office) also provides visa related services exclusively to foreign investors to handle matters concerning stay permits and extension of the period of stay.

## Reservation of Visitation for Foreign Residents

For the convenience of foreign residents, immigration offices in Korea operate a reservation system for visits regarding status of stay. Foreigners can log onto the Hi-Korea website to reserve the time and date, and visit the immigration office to receive services without waiting.

INFORMATION

**Immigration Contact Center: 1345 without the area code**
- Information on visa & stay in Korea and various stay permits

**Hi-Korea:** hikorea.go.kr
- Manual for visa and stay in Korea and the status of stay, services including reservation for visits to apply for status of stay



# Visa Application by Status of Stay

## 01. Business Investment (D-8) Visa

### ① Eligibility

A D-8 visa is issued to indispensable professional specialists engaged in the management, business administration, production, or technology of a foreign-invested company, or to a person who establishes a start-up enterprise with industrial property rights or intellectual property rights from its proprietary technology, and has been certified as a venture business.

- A person who has been dispatched to a foreign-invested company in Korea from its overseas parent company as an indispensable professional specialist can apply for a business investment visa. Employees of an affiliated company as well as the headquarters may be dispatched to the local company, but a document proving the affiliation should be submitted, and the dispatched period should be indicated on the dispatch order.
- A person who has established a corporation with an investment fund of at least KRW 100 million from overseas can apply for an investment visa.
- An indispensable professional specialist includes executives, senior managers, and specialists engaged in management, business administration, production and technology. Those who are engaged in tasks that are generally replaceable in Korea are excluded.

IN DETAIL

**Indispensable professional specialists**

- Executive
Those who primarily direct organizational management within an organization, exercise extensive authority in decision-making, and receive only general command and supervision form the BOD and shareholders as their companies' executives. (Executives may not directly perform tasks related to the actual supply of services or their organizations' services)

- Senior Manager
Those who establish and enforce corporate and departmental goals and policies; have authority over planning, directing and supervision; have the right to hire, dismiss or recommend employees; decide, supervise or control other supervisors, professionals and managers; or exercise discretion in daily operations (not including first-line supervisors of non-professional service providers or those who directly provide services)

- Specialist
Those with a high level of professional and exclusive experience and knowledge necessary for research, design, technology and management of their companies' services

- Where to apply: Immigration office with jurisdiction over the applicant's residence or the foreign-invested company's location

### ② Where Change to D-8 in Korea is not Permitted

Foreigners who entered Korea for a group tour or tourism purposes, nations of certain countries (France, Ireland, U.K.) who entered Korea with a short-term visit visa (C-3) for group tour or tourism purposes, foreigners staying in Korea with an industrial trainee visa (D-3), a non-professional employment visa (E-9), crew employment visa (E-10), a working visa (H-2), miscellaneous (G-1), or a working holiday visa (H-1) cannot change their visa to D-8 in Korea.

### ③ Change of Status of Stay and Alien Registration

Indispensable professional specialists engaged in management, business administration, production, or technology of a foreign-invested company are eligible.

### ④ Extension of Period of Stay

The documents to be submitted for applying for extension of the period of stay is similar to those required for change of status of stay, and the required documents may differ depending on the case.

**★ DOCUMENTS**

### For change of the status of stay and alien registration

[Where the company is established by a foreign company]

- **Integrated application form** (Attached form 34 of the Enforcement Rules of the Immigration Act) **/ Passport, color ID photo for passport**
- **Tuberculosis (TB) test certificate for nationals from high TB-burden countries** (issued by the local community health center)
- **List of high TB-burden countries (35 countries)**
  Nepal, Timor-Leste, Russia, Malaysia, Mongolia, Myanmar, Bangladesh, Vietnam, Sri Lanka, Uzbekistan, India, Indonesia, China, Cambodia, Kyrgyzstan, Thailand, Pakistan, Philippines, Laos, Kazakhstan, Tajikistan, Ukraine, Azerbaijan, Belarus, Moldova Republic, Nigeria, South Africa, Ethiopia, Democratic Republic of the Congo, Kenya, Mozambique, Zimbabwe, Angola, Peru, Papua New Guinea
- **Copy of certificate of foreign-invested company registration / Copy of business registration certificate / Certificate of incorporation registration issued in the past three months / Dispatch order in the case of employees dispatched to Korea** (issued by the head office or the overseas corporation (previous workplace) and with a specified period) **and certificate of employment** (issued by the head office or the overseas corporation (previous workplace))
- **Document certifying qualification as an indispensable professional specialist (one of the following): Technical certifications (for engineers), certificate of career, company organizational chart, diploma**
- **Documents on sales records (import and export records)** - Certificate of tax payment (including corporate tax, earned income tax, and value added tax)
- **Copy of place of residence certification** (residential lease agreement, etc.) **/ Original copy of specification of change in shareholders**
- **Document certifying introduction of investment funds:** Permission (or declaration) to carry out foreign currency issued by the tax office or bank of the investor's home country (if applicable), Specification of introduced investment funds (certificate of remittance, certificate of purchasing of foreign currency, customs declaration) **/ Copy of office lease contract**
- **Report on foreigner's occupation and annual income**
- **Certification of income, certificate of school enrollment**

**※More or fewer documents may be required according to the business and investment type.**

[Where the company is established by a foreigner]

- **Integrated application form** (Attached form 34 of the Enforcement Rules of the Immigration Act) **/ Passport, color ID photo for passport**
- **Tuberculosis (TB) test certificate for nationals from high TB-burden countries** (issued by the local community health center)
- **List of high TB-burden countries (35 countries)**
  Nepal, Timor-Leste, Russia, Malaysia, Mongolia, Myanmar, Bangladesh, Vietnam, Sri Lanka, Uzbekistan, India, Indonesia, China, Cambodia, Kyrgyzstan, Thailand, Pakistan, Philippines, Laos, Kazakhstan, Tajikistan, Ukraine, Azerbaijan, Belarus, Moldova Republic, Nigeria, South Africa, Ethiopia, Democratic Republic of the Congo, Kenya, Mozambique, Zimbabwe, Angola, Peru, Papua New Guinea
- **Copy of certificate of foreign-invested company registration / Copy of business license / Certificate of incorporation registration issued in the past three months / Original copy of specification of change in shareholders / Copy of place of residence certification** (housing lease agreement, etc.) **/ Copy of office lease contract / Document certifying introduction of investment funds / Photos of place of business** (an overall view of business place, office space, signboard, etc.) **/ Document certifying business experience in the relevant industry or field** (if necessary) **/ documents evidencing remittance of investment fund into the country: Permit (report) of foreign currency taken out of the country issued by the customs office or a bank of a foreign country / Incoming remittance details** (if remitted) **or customs declaration** (if hand-carried) **/ Certificate of purchase of foreign exchange**
- **Documents on sales records (import and export records, if applicable);** Certification of completion of export declaration (import and export permit)**, Certification of VAT tax base, Details of expenditure of investment fund:** Receipt for purchasing goods, expense for office interior design, details of deposit & withdrawal of a domestic bank account, etc.
- **Report on foreigner's occupation and annual income**
- **Certification of income, certificate of school enrollment**

**※ More or fewer documents may be required according to the business and investment type.**

## 02. Foreigner of Special Ability (E-7) Visa

An E-7 visa is issued to a foreigner who works in a certain professional field (85 types) where professional knowledge, technology and skills are required for the enhancement of national competitiveness. A foreigner who has worked on a contract basis for a Korean company with certain qualifications can acquire this visa upon applying for confirmation of visa issuance. In the event that there is a limited availability of professional technicians in a high-tech field, a change of the status of stay may be permitted.



## 03. Spouse or Family (F-3) Visa

This visa is issued to the spouse or underage children of foreigners eligible for D-8 or E-7 visa or stay permit. This visa is granted to the accompanying family members of those eligible for a D-8 or E-7 visa until the expiry of the stay period.

**IN DETAIL**

### Documents required for visa application

If the period of validity of domestically issued documents is not stated, the period is considered to be three months from the date of issuance. If deemed necessary for the assessment of an applicant's qualifications, the head of the local immigration office may request additional documents.

**★ DOCUMENTS**

### For change of the status of stay and alien registration

- **Integrated application form** (Attached form 34 of the Enforcement Rules of the Immigration Act)**, passport, color ID photo for passport, Tuberculosis (TB) test certificate for nationals from high TB-burden countries** (issued by the local community health center) **/ A copy of D-8-1 holder's certificate of alien registration / Document evidencing the place of stay** (housing lease contract, etc.) **/ Certificate of attendance of elementary, middle or high school** (for children aged between 6 and 18)
- **Certification of income, certificate of school enrollment**
- **Handling fee** (KRW 100,000 for change of status (for administration fee), Alien registration card issuance fee KRW 30,000 (cash only))

**※ More or less documents may be required tocheck the qualification of the applicant.**

### For extension of the stay

- **Integrated application form** (Attached form 34 of the Enforcement Rules of the Immigration Act) **/ Passport, color ID photo for passport / Tuberculosis (TB) test certificate for nationals from high TB-burden countries** (confirmation issued by the local community health center) **/ A copy of D-8-1 holder's certificate of alien registration / Proof of place of stay** (real estate lease contract, etc.) **/ Certificate of attendance of elementary, middle or high school** (for children aged between 6 and 18)
- **Certification of income, certificate of school enrollment**
- **Handling fee** (KRW 60,000 for extension)

**※ More or less documents may be required to check the qualification of the applicant.**

**INFORMATION**

### Types of visas (36 types)

| Category | Types of visas |
|---|---|
| Diplomacy, official business (A) | Diplomacy (A-1), Foreign government official (A-2), International agreement (A-3) |
| Visa exemption (B) | Visa exempted (B-1), Tourist/Transit (B-2) |
| Short-term visit for nonprofit work (C) | Short-term news coverage (C-1), Short-term visit (C-3), Short-term employee (C-4) |
| Long-term stay (D) | Art and culture (D-1), Student (D-2), Industrial trainee (D-3), General trainee (D-4), Long-term news coverage (D-5), Religious worker (D-6), Intra- company transferee (D-7), Business investment (D-8), International trade (D-9), Job seeker (D-10) |
| Employment (E, H) | Professor (E-1), Foreign language instructor (E-2), Researcher (E-3), Technical instructor (E-4), Professional (E-5), Culture and entertainment (E-6), Foreigner with special ability (E-7), Nonprofessional (E-9), Vessel crew (E-10), Working holiday (H- 1), Working visit (H-2) |
| Family visitor and dependent family (F) | Visiting or joining family (F-1), Long-term residence (F-2), Dependent family (F-3), Permanent residence (F-5): excluding overseas Korean and refugees, Marriage (F-6) |
| Other (G) | Other (G-1) |

→ Status of stay for overseas Koreans: C-3 (Short-term visit), F-1 (Visiting or accompanying family), H-2(Working visit), F-4 (Overseas Korean), F-5 (Permanent residence)

# Favorable Immigration Policies

The Korean government provides favorable treatment to foreign investors in relation to their arrival, departure, and stay in Korea. Foreign investors can receive favorable immigration-related services, permanent residence if qualifications are met, and permission to hire foreign housekeepers. In addition, services for changing the status of stay, alien registration, and extension of the period of stay can be processed in the same day for maximum convenience.

## 01. Favorable Treatment of D-8 Visa Holders

A business investment (D-8) visa holder can use the exclusive immigration fast track and is exempt from processing fees concerning status of stay.

- List of fee exemptions: Issuance of alien registration card (KRW 30,000), permission for extension of the period of stay (KRW 60,000), permission to change status of stay (KRW 100,000), re-entry permit (KRW 30,000-50,000)

→ The processing fees for granting of permission of activities beyond the current status of stay (KRW 120,000) or issuance of certificate of confirmation of alien registration (KRW 2,000) are not exempted.

## 02. Immigration Priority Card

An Immigration Priority Card is issued for the management of the overseas headquarters or Asian local headquarters of a foreign-invested company who meet certain qualifications. The cardholder can take advantage of the exclusive immigration fast track and the exclusive security checkpoint, etc.

### Requirements for the Issuance of Immigration Priority Card

| Business | Foreign-invested amount (notification basis) |
|---|---|
| Manufacturing | At least USD 15 million |
| Finance and Insurance | At least USD 50 million |
| Retail and wholesale, Logistics, Warehousing | At least USD 5 million |
| Others | At least USD 10 million |
| Research and Development | At least USD 2 million |
| Businesses accompanying technologies for new growth engine industries | |

→ The arrived investment amount should be at least 50% of the notified amount to renew the expired Immigration Priority Card.
Application and contact: KOTRA's Foreign Investor Support Center 02-3497-1971



# Long-term Residence and Permanent Residence for Large Investors and Executives

## 01. Long-term Residence (F-2) Visa

A long-term residence (F-2) visa is granted to those who have invested at least USD 500,000 and resided in Korea for three years or longer on a business investment (D-8) visa, and executives who have been dispatched to a foreign-invested company from a foreign company which has invested at least USD 500,000 in Korea and have resided in Korea for three years or longer after an evaluation process.

→ An F-2 visa can be granted to an employer who has invested at least USD 300,000 and hired two or more Korean employees.

## 02. Permanent Residence (F-5) Visa

A permanent residence (F-5-5) visa is granted to a foreign investor who has invested at least USD 500,000 and hired five or more Korean employees.
Executives of a foreign-invested company can also apply for a permanent residency visa. A permanent residency for special contribution (F-5-12) visa shall be granted to executives (auditors and directors only) who have been dispatched to a foreign-invested company which has invested at least USD 5 million and have resided in Korea for at least three years, after an approval by the Minister of Justice.

→ Permanent residence can be granted to one executive per every 10 Koreans employed as full-time employees, while the maximum number of executives granted permanent residency is 10 per company.

## Investment Immigration for Public Business

Under this permanent residence granting system for large investors, a foreigner who invested KRW 500 million or more in Korea is granted a status of stay (F-2) that allows free economic activities, which is changed to a permanent residence (F-5) visa if he/she maintains the investment for at least five years. The visa is granted to the foreigner's spouse and unmarried underage children as well. An F-5 visa is also granted to a foreigner who invests KRW 1.5 billion or more and pledges to maintain the investment for five years or longer, and to his/her spouse and unmarried underage children as well.

### Procedure of Conditional Approval of Permanent Residence to Large Investors

Preliminary review → Opening bank account and remittance (Woori Bank) → Foreigner's entry into Korea → Confirmation of remittance and change of status of stay (F-2) → F-5 granted after maintaining investment for 5 years

### IN DETAIL

**Investment Immigration for Public Business**

- For investing in a principal-guaranteed interest-free fund designated by the Minister of Justice for five years or longer
  A financial loan product for smart factory establishment using the investment immigration fund is offered by the Ministry of Justice and the Korea Development Bank to support SMEs' smart factory establishment.

- The fund guarantees the principal and the investment can be recovered at any time. The approved status of sojourn, however, shall be forfeited when all (or part) of the investment is collected.

※Contact: Global Talent Visa Center of the Ministry of Justice 032-740-7788, 7600

## Real Estate Investment Immigration

A foreigner who invested KRW 500 million or more in a resort facility designated and notified by the Minister of Justice is granted a status of stay (F-2) that allows free economic activities, which is changed to a permanent residence (F-5) visa if he/she maintains the investment for at least five years.

### IN DETAIL

**Real Estate Investment Immigration/ Source:** www.visa.go.kr

1. Maintaining Investment
   Investment qualifications are forfeited if investment facilities are leased to another person, pledged as collateral, seized or sold. An investor who loses his/her investment qualifications shall be deemed an unregistered alien and thus unable to stay in Korea with an investment visa.
2. Employment or Economic Activities
   An investor with a real estate investment immigration (F-5) visa is free to engage in employment, economic activities, and study, but is prohibited to operate or be employed in business regarding speculative acts or offensive acts against public morals.
3. Period of Permit for Re-entry
   Investors who registered as an alien must enter Korea at least once a year or their alien registration shall be cancelled.
4. Extension of Period of Stay
   An investor with an investment visa should enter Korea before the expiration of the period of stay and obtain permission to extend the period from an immigration office or his/her alien registration shall be cancelled.
5. Contact:
   Immigrant Investor Center in the Ministry of Justice (032-740-7888) / Immigration Contact Center (1345)

Living in Korea 2022 (KOTRA)

### Frequently Asked Question & Answer

**Q 01 What is the difference between a visa and a status of stay?**

The status of stay refers to a legal status allowing an alien to stay in Korea and engage in certain activities. The Immigrant Act grants certain rights depending on the status of stay, which is divided into 36 categories. In this sense, a visa and a status of stay can be considered virtually identical.

# 02

CORPORATE
BUSINESS

# Incentive

- Tax Reduction and Exemption
- Foreign Investment Zones
- Cash Grant
- R&D Support
- Management Support

CORPORATE BUSINESS

Incentive

PART 1

# Tax Reduction and Exemption

- Eligibility and Procedure
- Benefits

The Korean government provides incentives in the form of reductions and exemptions of taxes including acquisition tax, property tax, customs duty, and value-added tax for foreign investors in order to promote investment and national economic development through the transfer of advanced technologies. Tax reductions or special provisions on taxation are also provided to foreign engineers and workers.



## ✦ Tax Reduction and Exemption for Foreign Investment under the Restriction of Special Taxation Act

| Recipient | Tax reduction and exemption | Related law |
|---|---|---|
| Foreign-Invested Company | Reduction/exemption of acquisition tax and property tax on acquired or held real estate | Restriction of Special Local Taxation Act, Article 78-3 |
| | Exemption from customs duty, individual consumption tax, and value-added tax by bringing in capital goods | Restriction of Special Taxation Act, Article 121-3 (1), (2) |
| Foreign Engineer | 50% of Income tax reduction and exemption (for 5 years) | Restriction of Special Taxation Act, Article 18 |
| Foreign Worker | Flat tax rate of 19% (for 5 years) | Restriction of Special Taxation Act, Article 18-2 |

## Eligibility and Procedure

### 01. Eligible Businesses

Businesses eligible for tax reduction and exemption are defined in Article 121-2 of the Restriction of Special Taxation Act and Article 116-2 of the Enforcement Decree of the Act.

| Eligible Businesses (related law) | Investment Requirements, etc. | |
|---|---|---|
| | Business | FDI Amount |
| -Technologies for new growth engine industries and source technologies<br>-Technology for materials and production processes directly related to new growth engine industries and source technologies<br>※ Attached Table 7 of the Enforcement Decree of the Restriction of Special Taxation Act, Attached Table 14 of the Enforcement Rules of the Act | A manufacturing facility is installed or operated for the business | At least USD 2 million |
| Companies in a foreign investment zone (individual-type) as prescribed by Article 18 (1) 2 of the Foreign Investment Promotion Act and companies in a free trade zone, Jeju Advanced Science and Technology Complex, Jeju Investment Promotion Zone, etc. that have undergone review and received approval by the relevant committee<br>※ Companies in former free export zones are granted the same tax reduction as companies in a Foreign Investment Zone (individual-type) | Manufacturing, etc. | At least USD 30 million |
| | Tourism | At least USD 20 million |
| | Resort | |
| | International conference facilities | |
| | Youth training facilities | |
| | Logistics | At least USD 10 million |
| | SOC | |
| | R&D | At least USD 2 million |
| | Joint venture | At least USD 30 million |

| Eligible Businesses (related law) | Investment Requirements, etc. | |
|---|---|---|
| | Business | FDI Amount |
| Companies in a free economic zone<br>※ Article 2 subparagraph 1 of the Special Act on Designation and Management of Free Economic Zones | Manufacturing | At least USD 10 million |
| | Tourism | |
| | Resort | |
| | International conference facilities | |
| | Youth training facilities | |
| | Logistics | At least USD 5 million |
| | Medical institutions | |
| | R&D | At least USD 1 million |
| Development project entity in a free economic zone<br>※ Article 8-3 of the Special Act on Designation and Management of Free Economic Zones | Total development projects worth at least USD 500 million with:<br>- Foreign investment of at least USD 30 million or;<br>- Foreign investment ratio of at least 50% | |
| Development project entities in Jeju Special Investment Promotion Zone<br>※ Article 162 of the Special Act on the Establishment of Jeju Special Self-Governing Province and the Development of Free International City | Total development projects worth at least USD 100 million with:<br>- Foreign investment of at least USD 10 million or;<br>- Foreign investment ratio of at least 50% | |
| Companies in a foreign investment zone (complex-type) as prescribed by Article 18 (1) 1 of the Foreign Investment Promotion Act | Manufacturing | At least USD 10 million |
| | Logistics | At least USD 5 million |
| Companies in an enterprise city development zone<br>※ Article 2 subparagraph 2 of the Special Act on the Development of Enterprise Cities | Manufacturing, etc. | At least USD 10 million |
| | Logistics | At least USD 5 million |
| | R&D | At least USD 2 million |
| Development project entities in enterprise city development projects<br>※ Article 10 (1) of the Special Act on the Development of Enterprise Cities | Total development projects worth at least USD 500 million with:<br>- Foreign investment of at least USD 30 million or;<br>- Foreign investment ratio of at least 50% | |
| Businesses or development project entities in the Saemangeum project area<br>※ Article 2 and 8 of the Special Act on Promotion and Support for Saemangeum Project | Manufacturing | At least USD 10 million |
| | Tourism | |
| | Logistics | At least USD 5 million |
| | R&D | At least USD 1 million |
| Businesses for which a tax reduction or exemption is inevitably allowed<br>※ Article 10 (1) 2 and 5 of the Act on Designation and Management of Free Trade Zones | Manufacturing | At least USD 10 million |
| | Logistics | At least USD 5 million |

## INFORMATION

### Technologies for New Growth Engine Industries and Source Technologies

12 categories, 48 sub-categories, 235 technologies in total

| Category | Field |
|---|---|
| Future vehicles | Autonomous vehicles, electric vehicles |
| Intelligent information | Artificial intelligence, IoT, cloud, big data, wearable smart appliances, IT convergence, blockchain, quantum computer |
| Next-generation software & security | Software technology, convergence security |
| Content | Realistic content, cultural content |
| Next-generation electronic information devices | Intelligent semiconductors and sensors, materials for semiconductors, etc., high-performance displays like OLED, 3D printing, AR devices |
| Next-generation broadcasting and telecommunication | 5G & 6G mobile telecom, UHD |
| Bio & health | Bio-medicine, compound medicine, medical devices, healthcare products, biotechnology for agricultural, marine and food products, materials for biocosmetics |
| New energy business, Environment | ESS, new and renewable energy, enhancement of energy efficiency, greenhouse gas reduction, carbon capture and sequestration, nuclear energy, recycling |
| Convergence materials | High performance textiles, ultra-light metal, hyper-plastic, titanium, copper alloy, molybdenum, alloy steel, functional elastic & adhesive material |
| Robots | High-tech manufacturing robots, medical robots, service robots, robots in general |
| Aerospace | Unmanned vehicles, space technology |
| High-tech materials, parts & equipment | High-tech materials, parts & equipment |

※ Related law: Attached Table 7 of the Enforcement Decree of the Restriction of Special Taxation Act (Amended Feb. 17, 2021)

### Technologies for Materials and Production Processes Directly Related to New Growth Engine Industries

11 for materials, 5 for production processes, 16 technologies in total

| Type Classification | Technology |
|---|---|
| Material Technology | High-density semiconductor material technology |
| | Flexible conductive material technology |
| | Micro-LED material technology |
| | Battery material technology for electric vehicles |
| | Material technology for functional smart sensors |
| | Technology for carbon composite new materials |
| | Multi-material technology for 3D printing (green, medical, and aesthetic use) |
| | High performance chemical new material technology |
| | Technology of micro-bio semiconductor materials for genetic tests |
| | Organic-Inorganic Hybrid Nano-Materials technology |
| | Super Engineering Plastic (SEP) material technology |
| Process Technology | Intelligent power semiconductor module technology |
| | Production technology of wide and flexible OLED |
| | Technology for machining and processing of metallic materials |
| | Functional (thermostable, ultra-small) lens resin and manufacturing process technology |
| | Technology for improving the precision of OLED material patterns |

※ Related law: Attached Table 14 of the Enforcement Rule of the Restriction of Special Taxation Act (Newly Inserted, Mar. 17, 2017)

## 02. Procedure

A foreign-invested company that wishes to receive tax reduction or exemption or alter the reported details of its business subject to tax reduction or exemption shall file an application for tax reduction or exemption with the Minister of Strategy and Finance (with the administrative authority of a free trade zone when the company is in an FTZ).

※ Related law: Article 121-2 (6) of the Restriction of Special Taxation Act

The International Economic Affairs Bureau of the Ministry of Economy and Finance accepts applications for tax reduction and exemption. A foreign investor who wishes to apply for tax reduction/exemption and file FDI notification at the same time may file the application with an FDI notification at the same time at a foreign exchange bank (delegated agency) or KOTRA.

※ Related laws: Article 51-3 of the Enforcement Rules of the Restriction of Special Taxation Act and Public Notice no. 2017-10 of the Ministry of Economy and Finance (April 4, 2017), Article 5 (2) of the Regulations Defining Tax Exemptions for Foreign Investment

In the case of new investment, an application for tax reduction or exemption shall be filed by the end of the taxable year to which the business commencement date belongs. Where the details of the business that is granted tax reduction or exemption are altered, an application for change shall be filed by no later than two years from the date the grounds for the relevant alteration occurred.

### Application procedure for tax reduction and exemption

| | |
|---|---|
| Application for prior verification of eligibility for tax reduction or exemption (optional) | Ministry of Economy and Finance |
| ↓ | |
| Notification of foreign investment by acquisition of stocks or contribution | Delegated agencies (Foreign exchange bank and KOTRA) |
| ↓ | |
| Application for tax reduction or exemption | Ministry of Economy and Finance |
| ↓ | |
| Decision on whether to grant tax reduction or exemption | Ministry of Economy and Finance, related government departments, local authorities |
| ↓ | |
| Notification of decision on whether to grant tax reduction or exemption | Ministry of Economy and Finance |

★ DOCUMENTS

**Application for tax reduction/exemption or change of information**

- **Notification** form (Attached Form 1 of the Enforcement Rules of the Foreign Investment Promotion Act: Notification form of foreign investment by acquisition of stocks or contribution and application for approval)
- **Application for tax reduction or exemption or application for change of information** (Attached Form 80 of the Enforcement Rules of the Restriction of Special Taxation Act)
- **Documents demonstrating or explaining in detail the reasons for filing the application for tax reduction or exemption or the application for change of information.**
  → Required documents prescribed by attached Table 2 of the Regulations Defining Tax Exemption for Foreign Investment
- **Copy of business registration certificate / Certificate of foreign-invested company registration**

* Submit 3 copies of each document.

### ① Advance verification of eligibility for tax reduction and exemption

A foreign investor may request advance verification of whether a business he/she intends to operate is eligible for tax reduction or exemption before he/she/it notifies FDI. Since the verification confirms simply whether the technology is subject to tax reductions or exemptions and the effect of the decision is invalid, an application for tax reduction or exemption should be filed after notifying FDI.

※ Related law: Article 121-2 (7) of the Restriction of Special Taxation Act

### ② Decision to grant tax reduction or exemption and notice thereof

The Minister of Economy and Finance shall examine whether the relevant application meets the standards for tax reduction or exemption and make a decision on whether to grant the reduction or exemption or whether to approve any revision to the particulars of reduction or exemption within 20 days of receiving the application, following a negotiation with the relevant Minister and the head of the local government. The Minister shall notify the decision to the applicant, the Commissioner of National Tax Service, the Commissioner of Korea Customs Service and the head of the local government. However, an extension of the review period by up to 20 days is allowed in inevitable cases.

### ③ Preliminary notice of ineligibility for tax reduction or exemption

The Minister of Economy and Finance shall, when intending to determine a business as not eligible for tax reduction or exemption upon receiving an application for tax reduction or exemption, give preliminary notice of such determination within 20 days of the date of application. The applicant may file a request in writing for a review of the appropriateness of the determination thus notified within 20 days of the date on which the notice has been delivered, with supporting materials attached thereto. The Minister shall make a decision on whether to grant the reduction or exemption or whether to approve any revisions to the particulars of reduction or exemption within 20 days of the date on which the request was delivered and notify the applicant of the result thereof.

※ Related law: Article 121-2 (8) of the Restriction of Special Taxation Act, Article 116-3 (1) to (6) of the Enforcement Decree of the Act

**IN DETAIL**

Documents certifying the reasons for filing the application for tax reduction or exemption (for tax reduction or exemption for altered business, or verification of whether a business is eligible for tax reduction or exemption)

※ Related law: Public notice no. 2017-10 of the Ministry of Economy and Finance, April 4, 2017 and attached Table 2 of the Regulations Defining Tax Exemptions for Foreign Investment

★ DOCUMENTS

**Advance verification of eligibility for tax reduction and exemption**

- **Application for advance verification of eligibility for tax reduction or exemption** (Attached Form 81 of the Enforcement Rules of the Restriction of Special Taxation Act)
- **Document demonstrating or explaining in detail the reasons for filing the application for tax reduction or exemption or the application for amending the details of tax reduction or exemption**
  → Required documents prescribed by attached Table 2 of the Regulations Defining Tax Exemption for Foreign Investment

*Submit 3 copies of each document.

Check List

### Checklist for Application for Tax Reduction or Exemption for New Growth Engine Industry

| Checkpoints | YES | NO |
|---|---|---|
| 1. Is the technology included in attached Table 7 of the Enforcement Decree of the Restriction of Special Taxation Act or the list in attached Table 14 of the Enforcement Rules of the same Act? (specify the details in the application for tax reduction or exemption)<br>Example: The technology falls under '3. Visual recognition technology' under 'a. Artificial intelligence' of '2. Intelligent information' in attached Table 7 of the Enforcement Decree of the Restriction of Special Taxation Act (technologies for new growth engine industry technologies) | ☐ | ☐ |
| 2.Are the documents proving that the technology is one that accompanies a new growth engine business that is essential for upgrading the domestic industrial structure and enhancing domestic industries' global competitiveness submitted?<br>• Patent rights, certificate of authorized institution, certificate of passing test, evaluation documents, documents that can prove quality of technology, etc. | ☐ | ☐ |
| 3. Is a description of the technology submitted? | | |
| ① Summary (1-2 p) of the essence of the technology? | ☐ | ☐ |
| ② Description of technical features and its details | ☐ | ☐ |
| ③ Statement of the scope of the business that is intended to be operated | ☐ | ☐ |
| 4. Are the documents proving that a factory facility (place of business) will be installed or operated to run a business accompanying the technology submitted? | | |
| ① Documents describing the manufacturing method and process chart and process chart (for manufacturing businesses) | ☐ | ☐ |
| ② Documents certifying the location of the factory that produces products using the technology, etc. | ☐ | ☐ |
| 5. Is there a business related to the new growth engine industry (related business)?<br>• Documents such as production methods and process charts for businesses subject to tax reduction/exemption and its related businesses. | ☐ | ☐ |
| 6. Is a notification of foreign investment by acquisition of stocks or contribution submitted? | ☐ | ☐ |
| 7. Are the Korean translations of the documents submitted in English or a foreign language submitted as well? | ☐ | ☐ |

* Source: Ministry of Economy and Finance

# Benefits

## 01. Reduction/ Exemption of Acquisition Tax and Property Tax

The property acquired and owned by a foreign-invested company to operate a reported business is eligible for a reduction of, or exemption from, acquisition tax and property tax.

### Tax Reduced/Exempted on: Property Acquired or Held since the Date of Business Commencement

| Tax | Business | Period and Ratio of Reduction/ Exemption |
|---|---|---|
| Acquisition Tax and Property Tax | Deliberated and voted upon by each committee for the companies in the new growth engine industry and businesses in individual-type Foreign Investment Zone | Full exemption of amount of tax eligible for reduction or exemption (amount of tax eligible for deduction) for 5 years from the date the business commenced, and 50% of tax reduction or exemption for 2 years thereafter (deduction from the tax base) |
| | Companies and project entities in FIZs (Complex-type), FEZs Jeju Investment Promotion Zone, enterprise city development zone, Saemangeum project area, FTZs, etc. | Full exemption of amount of tax eligible for reduction or exemption for 3 years from the date the business commenced, and 50% of tax reduction or exemption for 2 years thereafter |

※ Related law: Article 78-3 (1) of the Restriction of Special Local Taxation Tax

IN DETAIL

**Exception: Real estate acquired and held before the business commencement date**

Even if business has not been commenced yet, real estate acquired on or after the date on which decision to grant tax reduction/exemption are exempted from acquisition tax for acquisitions subject to tax reduction/exemption. In the case of property tax, the first day of the reduction/exemption period shall be the 'real estate acquisition date', not the 'business commencement date' when calculating the tax reduction/exemption period.

※ Related law: Article 78-3 (2) of the Restriction of Special Local Taxation Act

### Extension of Local Tax Reduction under Ordinance

Where a local government extends the reduction or exemption period up to 15 years under ordinances prescribed by Article 4 of the Restriction of Special Local Taxation Act or raises the reduction/exemption ratio within the scope of the extended period, the extended period or ratio shall be observed, despite the above reduction and exemption regulations prescribed by Article 78-3 of the Restriction of Special Local Taxation Act.

## 02. Exemption of Customs Duty, Individual Consumption Tax, and VAT for Capital Goods

Customs duties, individual consumption tax and value-added tax are exempted on capital goods imported through notification of foreign investment by acquisition of newly-issued stocks, etc., among the following capital goods that are used in a business subject to tax reduction or exemption, under the Restrictions of Special Taxation Act.

- Capital goods brought in by a foreign-invested company with a foreign or domestic means of payment obtained as equity investment from a foreign investor
- Capital goods that are brought in by a foreign investor as an object of investment

※ Related law: Article 121-3 of the Restriction of Special Taxation Act

### ① Application

Where a company which was granted tax reduction or exemption intends to apply for exemption of customs duties, individual consumption tax, and value-added tax for capital goods importation, it shall file an application for exemption with the head of the relevant customs office and attach the required documents.

### ② Period

To receive tax exemption on capital goods, import declaration under the Customs Act should be completed within five years of the day of filing an FDI notification pursuant to the Foreign Investment Promotion Act. However, if import declaration cannot be completed within the abovementioned period before the above period due to inevitable circumstances such as delay in approval of factory establishment, an application for extension can be filed to the Minister of Economy and Finance before the before the period expires and extend the period by one year (total of six years).

### ③ Exception

Exemption is not granted for investments where the existing stocks or shares issued by a company operated by a national or corporation of the Republic of Korea are acquired.

**★ DOCUMENTS**

**Exemption of customs duty, individual consumption tax, and VAT for capital goods**

- Application form
  (Attached Form 83 of the Enforcement Rule of the Restriction of Special Taxation Act)
- Copy of a document proving that the business is subject to tax reduction/exemption (decision to grant tax reduction/exemption)
- Copy of a document certifying that the capital goods are imported as an international means of payment or an object of investment
- Copy of confirmation of specification of imported capital goods

※ Related law: Article 51-5 of the Enforcement Rules of the Restriction of Special Taxation Act

### Additional Collection of Reduced/Exempted Customs Duty and Local Taxes

| Cause for additional collection | Tax | Amount subject to additional collection |
|---|---|---|
| Cancellation of registration or business closure | Customs duties, individual consumption tax, VAT, acquisition tax, property tax | Tax reduced or exempted for 5 years retroactively from the date of cancellation of registration or business closure (3 years for customs duty) |
| Transfer of shares to a Korean national or company | Customs duties, individual consumption tax, VAT | Tax reduced or exempted for the value of capital goods that exceed the foreign investment amount remaining after the transfer, among tax reduced or exempted for 3 years retroactively from the date of transfer |
| | Acquisition tax, property tax | Tax reduced/exempted for 5 years retroactively from the date of transfer multiplied by the transfer ratio of shares, etc. |
| Where the requirements on payment for objects of investment, introduction of loans, or number of employees are no longer satisfied within 5 years of the date on which foreign investment was notified (3 years in the case of employment related requirements) | Customs duties, individual consumption tax, VAT, acquisition tax, property tax | Tax reduced or exempted for 5 years (3 years in the case of employment related requirements) retroactively from the date on which foreign investment was notified (3 years in the case of employment related requirements) |
| Where the object of investment is disposed of or used for purposes other than those notified | Customs duties, individual consumption tax, VAT | Tax reduced or exempted for capital goods used for purposes other than those notified or are disposed of for 5 years (3 years in the case of customs duties) retroactively from the date of import declaration acceptance |
| Where the ratio of stocks, etc. held by a foreign investor falls short of the foreign investment ratio at the time of granting tax reduction or exemption | Acquisition tax, property tax | Collected amount = Taxes reduced or exempted for 5 years retroactively from the date on which the ratio of stocks, etc. is no longer satisfied x the ratio of shares, etc., that falls short of the required ratio |

※ Related law: Article 121-5 of the Restriction of Special Taxation Act, Article 116-8, 9 of the Enforcement Decree of the Act

### ④ Additional Collection of Reduced or Exempted Tax and Exceptions

Where any of the events prescribed by the Restriction of Special Taxation Act occur in relation to the company that is eligible for tax reduction or exemption, customs duties and local taxes are additionally collected by the head of the relevant customs office (or tax office) and the head of the local government. However, reduced or exempted tax is not additionally collected in cases of dissolution, etc. of a foreign-invested company due to merger.

Reasons for exclusion from additional collection of reduced or exempted tax are as follows.

- Where the registration of a foreign- invested company is revoked due to its dissolution by a merger
- Where a foreign-invested company uses any capital goods it imported with no customs duties, etc., and have used, but become unusable for their original purposes due to a natural disaster or other force majeure events, or depreciation, technological advancement, and other changes in economic conditions, and for other purposes than original ones, or disposes of such capital goods with approval of the Minister of Strategy and Finance
- Where a foreign -invested company transfers the stocks, etc., to a Korean national or corporation to go public under the Financial Investment Services and Capital Markets Act
- Where a foreign-invested company meets the relevant requirements for tax reduction or exemption by delivering the object of investment within the performance period extended by the relevant mayor/provincial governor under the Foreign Investment Promotion Act
- Where the purpose of tax reduction or exemption is deemed achieved, which is prescribed by Presidential Decree

※ Related law: Article 121-5 (5) of the Restriction of Special Taxation Act, Article 116-10 (2) of the Enforcement Decree of the Act

## 03. Tax Support for High-Quality Foreign Human Resources

### ① Income Tax Reduction/Exemption for Foreign Engineers

A foreign engineer shall be granted a tax reduction of 50% of the income tax on wage & salary income earned by providing service in Korea starting from the first day of providing the service until the month to which belongs five years elapse from such date. However, foreign engineers working in the field of parts, materials and equipment prescribed by Presidential Decree shall be granted a 70% reduction of the income tax incurred for wage & salary income incurred from the first day of providing service in Korea to the month to which belongs three years elapse from such date, and a 50% reduction of the income tax for two years thereafter.

### ② Special Taxation for Foreign Workers

For the income tax on wage & salary income received by a foreign worker (foreign executives or employees excluding daily workers) from the first day of providing service in Korea (sunset clause restricted to where service was first provided in Korea on or before Dec. 31, 2023) to the taxable period which ends within five years of such date, the amount calculated by multiplying 19% to the wage & salary income shall apply instead of applying the global income tax rate.

### ③ Workers at a Regional Headquarters

The amount of income tax on wage & salary income that a foreign worker receives in return for his/her service in a regional headquarters prescribed by the Foreign Investment Promotion Act for five years from the first day of providing service in Korea can be the amount calculated by multiplying the wage & salary income with 19%, with no restrictions on the work period.

※ Related law: Article 18-2 of the Restriction of Special Taxation Act

### ④ Application of Special Taxation

When filing a year-end tax return for wage & salary income or a finalized return of global income tax base, a foreign worker shall submit a wage and salary income earner's return on income deductions and tax credits under the Enforcement Decree of the Income Tax Act, and an application for flat tax rate for foreign workers in form no. 8 stipulated by Ordinance of the Ministry of Economy and Finance to the withholding agent, taxpayers' union, or the head of a tax office having jurisdiction over the place of tax payment

※Related law: Article 16-2 of the Enforcement Decree of the Restriction of Special Taxation Act

IN DETAIL

### Foreign Engineers Eligible for Tax Support

1. A person who provides technology in the Republic of Korea under an engineering technology license agreement
2. Researchers working for a company-affiliated research center, government-contributed research facility, etc.
   Requirements: Persons owning a bachelor's degree or higher in science and engineering with five years or longer of research and development experience in an overseas university or research institute, who are not in a special relationship with the company to which service is provided.
   Applicable period: Where the first day of providing labor in Korea is on or before Dec. 31, 2023

※ Related law: Articles 18 of the Restriction of Special Taxation Act, Article 9 of the Enforcement Rules of the Act

INFORMATION

The Korean government abolished the corporate tax and income tax reduction/exemption scheme for foreign-invested companies at the end of 2018, but maintained the reduction/exemption scheme for local tax (acquisition tax, property tax), customs duty, individual consumption tax and VAT. However, for companies that were determined as eligible for corporate tax and income tax reduction/exemption, the determined reduction/exemption period is guaranteed for 2019 and beyond.

## 04.
## Tax Credit to be Applied Equally to Koreans and Foreigners

### ① Tax credit for start-up SMEs, etc.

For SMEs that were established as one of the 18 types of businesses prescribed by the Restriction of Special Taxation Act such as manufacturing, construction, restaurant, and mail order sales, 50 to 100% of corporate tax shall be reduced for five years since the year in which income first occurred (100% exemption can be granted depending on employment increase from the previous year)

| Classification | Place of business | |
|---|---|---|
| | In overconcentration control zones in Seoul metropolitan area | Others |
| Start-up SMEs | - | 50% reduction for 5 years |
| Start-up SMEs by young adults, start-ups with income of not more than KRW 80 mil. | 50% reduction for 5 years | 100% exemption for 5 years |
| High-tech start-ups, new energy tech business | 50% reduction for 5 years | |

1) Start-up SMEs by young adults: Where the age of the representative who is the largest shareholder at the time of establishment was between 15 and 34
2) Overconcentration control zones in the Seoul metropolitan area: All of Seoul, part of Incehon and Gyeonggi-do (refer to attached Table 1 of the Enforcement Decree of the Seoul Metropolitan Area Readjustment Planning Act)

※ Related regulations: Article 6 of the Restriction of Special Taxation Act, Article 5 of the Enforcement Decree of the Act

### ② Special tax reduction/exemption for SMEs

For SMEs prescribed by the Restriction of Special Taxation Act such as manufacturing, mining and construction, 5 to 30% of corporate tax is reduced according to the following criteria (reduction ceiling: KRW 100 mil.)

| Business | Size of business | Location of place of business | |
|---|---|---|---|
| | | Seoul metropolitan area | Others |
| Wholesale & retail, medical service Wholesale & retail, medical service | Small | 10% | |
| | Medium | - | 5% |
| General businesses subject to tax reduction/ exemption General businesses subject to tax reduction/ exemption | Small | 20% | 30% |
| | Medium | - (10% for knowledge-based businesses) | 15% |

1) Seoul metropolitan area: Seoul, Incheon, Gyeonggi-do
2) Small businesses refer to SMEs whose average sales does not exceed the ceiling for small businesses by business type, and other companies other than those are classified as medium companies (refer to attached Table 3 of the Enforcement Decree of the Framework Act on Small and Medium Enterprises)

※ Related regulations: Article 7 of the Restriction of Special Taxation Act, Article 6 of the Enforcement Decree of the Act

### ③ Tax credit for integrated investment

The amount of corporate investment in tangible assets for business (excluding land, buildings, vehicles, etc.) multiplied with the following tax credit rate is deducted from corporate tax.

| Tax Credit | General Investment | | | Investment in New Growth Technology / Investment in National Strategic Technology | | |
|---|---|---|---|---|---|---|
| | SMEs | Middle Standing | General | SMEs | Middle Standing | General |
| ① Basic | 10% | 3% | 1% | 12% | 5% | 3% |
| | | | | 16% | 8% | 6% |
| ② Additional | Where the investment exceeds the average investment over the preceding 3 years, 3% of the amount (4% for national strategic technology), up to 2 times the basic tax credit amount | | | | | |

※ Related regulations: Article 24 of the Restriction of Special Taxation Act, Article 21 of the Enforcement Decree of the Act

### ④ Tax credit for R&D and human resources development expense

A certain amount of tax credit applies to a company's R&D expenses and human resources development expenses for corporate support.

| | Tax credit details |
|---|---|
| Tax credit for R&D expenses | ① Tax credit for R&D expenses for new growth technologies and source technologies<br>- 20~40% (20~30% for large companies and companies of middle standing, 30~40% for SMEs) |
| | ② Tax credit for R&D expenses for national strategic technology (semiconductor, battery, vaccine)<br>- 30~50% (30~40% for large companies and companies of middle standing, 40~50% for SMEs) |
| | ③ Tax credit for general R&D expenses: The larger of (ⓐ, ⓑ)<br>- ⓐ Current portion basis: R&D expenditure × 0 to 2% (15% within 3 years of expiration of the grace period for losing SME status, 10% for 2 years thereafter; middle-standing companies: 8%; SMEs: 25%)<br>- ⓑ Incremental basis: (R&D expenditure for the relevant year – R&D expenditure for the preceding taxable year) × 25% (40% for middle-standing companies and 50% for SMEs) |

※ Related regulations: Article 10 of the Restriction of Special Taxation Act, Article 9 of the Enforcement Decree of the Act

### ⑤ Tax credit for companies that increased employment

Where the number of full-time employees of a company has increased from that of the previous taxable year, a certain amount (KRW 4 mil.-13 mil.) per increased employee is deducted from corporate tax.

(Unit: KRW 10,000)

| Employees | SME (3 yrs) | Middle-standing companies (3 yrs) | Large companies (2 yrs) |
|---|---|---|---|
| | Inside/Outside Seoul metropolitan area | Inside/Outside Seoul metropolitan area | Inside/Outside Seoul metropolitan area |
| Full-time young adults, the disabled | 1,100/1,300 | 800/900 | 400/500 |
| Other full-time workers | 700/770 | 450/450 | - |

※ Related regulations: Article 29-7 of the Restriction of Special Taxation Act, Article 26-7 of the Enforcement Decree of the Act

### ⑥ Tax reduction/exemption for social insurance premium paid by SMEs

For a company that started one of the designated businesses or established a new place of business (excluding relocation of existing business) in an industrial crisis zone no later than Dec. 31, 2023, 100% of corporate tax is exempted for five years starting from the year in which income occurred for the first time, and 50% of corporate tax shall be reduced for two years thereafter (for companies other than SMEs, a ceiling for reduction/exemption shall apply)

* Social insurance premium: National pension, employment insurance, industrial disaster compensation insurance, long-term care insurance

※ Related regulations: Article 99-9 of the Restriction of Special Taxation Act, Article 99-8 of the Enforcement Decree of the Act

### ⑦ Tax reduction/exemption for tenant companies in business cities, special zones for R&D, or other special industrial zones

| Zone/Area | Related law | Corporate tax credit |
|---|---|---|
| R&D specialized zone | Article 12-2 of the Act on the Restriction of Special Taxation | 100% exempted for 3 years + 50% reduction for 2 years |
| Business cities, regional development zone | Article 121-17 of the Act on the Restriction of Special Taxation | |
| Jeju Island | Article 121- 8, 9 of the Act on the Restriction of Special Taxation | |
| Yeosu specialized zone for marine fair | Article 121-17 of the Act on the Restriction of Special Taxation | |
| Asia Culture-Centered City Investment Promotion Zone | Article 121-20 of the Act on the Restriction of Special Taxation | |
| Financial service center | Article 121-21 of the Act on the Restriction of Special Taxation | |
| Advanced Medical Research Park | Article 121-22 of the Act on the Restriction of Special Taxation | |

INFORMATION

## Definition of Small and Medium-Sized Enterprise (SME)

An enterprise shall meet all the standards for size and independence to be classified as an SME.

**1. Standard for Business Type**

The company's main business shall not be a consumptive service business (e.g., hotels, motels, bars)

**2. Standard for Size**

Both the standard of size for each industry and upper limit standard must be satisfied.

- Size standard for each industry: Meet the standards of average sales of the main business for the last 3 years
- Upper limit standard: Less than KRW 500 billion of total assets regardless of business type

※ Refer to the size standard for average sales, etc. of each business category in attached Table 1 of the Enforcement Decree of the Framework Act on Small and Medium Enterprises

**3. Independence Standard**

A company shall not fall under any of the following:

- Company that belongs to a conglomerate subject to restrictions on mutual investment
- Company's total assets are at least KRW 500 billion (including a foreign corporation, with the exception of a non-profit corporation, etc.) which is the largest shareholder, directly or indirectly owning at least 30% of the total outstanding stocks, etc.
- An entity that belongs to an associate which does not meet the criteria for size by industry by summing up the average sales amount equivalent to the ratio of its investment.

* Period of suspension : When an SME no longer qualifies as such due to an expansion in size or exceeding the standard, it can be regarded as an SME for a specified period only once.

※ Related regulations: Article 6 of the Restriction of Special Taxation Act and Article 2 of the Enforcement Decree of the Act

**4. Definition of middle-standing companies**

Companies of middle standing refers to companies that satisfy all the following conditions.

- The company is not an SME
- The company shall not operate consumptive service business, financial business, etc.
  - Hotels and motels, drinking places, financial business, insurance and pension business, finance and insurance-related service
- The company's separation of ownership and management (i.e., actual independence) does not fall under any one of the following:
  ① The company belongs to a business group restricted from mutual investment
  ② The company's largest investor is a company (including foreign companies) with assets of KRW 10 trillion or more directly or indirectly owning 30% or more of the company's share
- The company's average sales over the preceding three taxable years are under KRW 300 billion.

※ Related regulations: Article 7-4 of the Restriction of Special Taxation Act, Article 6-4 of the Enforcement Decree of the Act

CORPORATE BUSINESS

Incentive

PART 2

# Foreign Investment Zones

- Complex-type Foreign Investment Zone
- Individual-type Foreign Investment Zones
- Service-type Foreign Investment Zones

Matters concerning the designation, development, notification, management, and cancellation of designation of Foreign Investment Zones are stipulated by the Foreign Investment Promotion Act, which promotes FDI via location support policies. The types of foreign investment zones are classified into complex-type, individual-type and service-type. An FIZ shall be designated (announced) by the head of regional local governments after deliberation by the Foreign Investment Committee.

※ Related law: Article 18~20 of the Foreign Investment Promotion Act, Article 25 of the Enforcement Decree of the Act, Article 16 of the Enforcement Rules of the Act, Guidelines for Operation of Foreign Investment Zones (Public notice 2020-541, Ministry of Trade, Industry and Energy)

Only FDIs by acquisition of newly-issued stocks and long-term loans of five years or longer are recognized as meeting the requirements for moving into a foreign investment zone. The amount equivalent to acquisition of existing stocks or holding ratio by round-trip investment shall not be calculated as the amount of FDI.



## Complex-type Foreign Investment Zone

A complex-type foreign investment zone (FIZ) is designated for lease or transferred exclusively to foreign-invested companies. The lease term is up to 50 years and must be renewed every 10 years. Companies moving into this type of zone are provided with low-cost rent and benefits such as rent reduction or tax reduction/exemption depending on the investment.

### 01. Type of Businesses Eligible for Occupancy

The categories of business eligible for occupancy in a complex-type FIZs are as follows, while the categories of business eligible to take occupancy in each zone shall be specified in a master plan for management.

- Businesses accompanying technologies for new growth engine industry (Restriction of Special Taxation Act)
- Categories of business with advanced technologies or advanced products (Industrial Development Act)
- Research institutes affiliated with enterprises and research and development service business (Special Act on Support of Scientists and Engineers for Strengthening National Science and Technology Competitiveness)
- Complex logistics terminal business (Act on Development and Management of Logistics Facilities) or joint collection & delivery center (Distribution Industry Development Act)
- Other categories of business that a management agency determines, taking account of the industrial characteristics of the relevant region.

### 02. Occupancy Requirements

Only companies registered as a foreign-invested company where the share of the foreign-invested company is at least 30%, 50% for complex logistics terminal operation and joint collection & delivery centers). If a new factory facility (workplace) is constructed or new machine or device is installed in an existing building, the same corporation shall install factory facilities, machinery, and devices that can be separately accounted for in accounting, separate from existing factory facilities. In addition, no existing foreign-invested factory may be relocated. However, where it relocates from one FIZ to another, or where a foreign-invested company increases the foreign investment ratio to above 30%, such factory may be relocated with approval from the person having the authority to manage the relevant FIZ in an industrial complex.

### 03. Limit on Occupancy

The factory construction area should satisfy the standard area ratio of a factory of the relevant category of manufacturing business (12% or higher) and the limit on lease area for each company should be at least equivalent to the land price. In short, the limit on occupancy is the amount of funds that should be invested in accordance with the size of the area where the foreign-invested company intends to move into.

## 04. Rents and Rental Security Deposits

Annual rent in an FIZ shall be determined by multiplying the acquisition value (the officially assessed land price where the individual officially assessed land price exceeds the acquisition value) of the relevant FIZ by at least 1%. The rents for "a relocated company that has failed to fulfill the amount of foreign investment and the area for construction of a factory applied when determining the limit on occupancy", "a relocated company that has failed to meet the qualifications for occupancy" and "a relocated company that falls under any ground for termination of the occupancy contract" shall be determined by the Minister of Trade, Industry and Energy, following consultation with the Minister of Economy and Finance and the relevant mayor/provincial governor, in an amount calculated by multiplying the acquisition value by at least 5%.
Rental security deposits shall be an amount calculated by multiplying the acquisition value by at least 5% and should be paid in cash. Companies in an FIZ may instead request to replace cash payment with the submission of a guarantee insurance policy or payment certificate of a bank.

## 05. Reduction and Exemption of Rents

The rent reduction/exemption rate shall apply proportional to the investment amount that has been paid in full, and the number of employees one month before the issuance of notice for payment of shall be counted as the number of full-time workers. The rent for national and public properties shall be 5% or more of the acquisition amount but companies in FIZs may pay rent at 1% or more of the acquisition amount.

**Reduction and Exemption of Rents for Companies in Complex-Type FIZs**

| Reduction rate | Business | Condition | | Notes |
|---|---|---|---|---|
| | | Investment amount | No. of full-time employees | |
| 0% | Tenant company | Market rent (1% of acquisition amount) | - | - |
| 75% | Manufacturing | At least USD 5 million | - | - |
| | | At least USD 2.5 million | 70-149 | - |
| 90% | Manufacturing | At least USD 2.5 million | 150-199 | - |
| 100% | Manufacturing | At least USD 5 million | - | Companies in material and components complexes |
| | | At least USD 2.5 million | 200 or more | - |
| | Technologies for new growth engine industries | At least USD 1 million | - | - |

* Rate of reduction means the reduction rate applying to the market rent, which is 5% of the acquisition amount (in case of rent for national or public property)
※ Related law: Article 19 of the Enforcement Decree of the Foreign Investment Promotion Act



## 06. Occupancy System for Suppliers

If a company in an FIZ requests that its supplier with no foreigner-held shares be permitted to occupy a part of its factory for the purpose of process shortening or cost reduction, it shall be permitted to move into the area after an evaluation by the evaluation committee and consent of the Minister of Trade, Industry and Energy. The lease contract shall be made within the remaining lease period and should be renewed every five years. The area occupied by a supplier shall not exceed 30% of the total building area of the factory of the relevant tenant company.

# Individual-type Foreign Investment Zones

An individual-type FIZ is a tailored location for large- scale investors, and foreign investors can choose and designate the location of the investment zone.

## 01. Criteria for Designation

An FIZ shall be designated when new factory facilities (or place of business) are built or newly installed in existing buildings by the same corporation to install factory facilities, machines, facilities, and equipment that can be accounted for separately from existing factory facilities, or when buildings that have not been completed are acquired and business activities are conducted after obtaining approval to use the building.

## 02. Requirements for Designation

An FIZ can be designated when factory facilities (or place of business) are newly installed and the minimum investment requirement is met.

| Minimum Investment | Type of Business |
|---|---|
| USD 30 million | Manufacturing, new growth engine industry technology, computer programming, system integration and management services, data processing, hosting, and other related service activities |
| USD 20 million | Resort condominium business, tourism (tourist hotel, floating tourist hotel, Korean traditional hotel), specialized resorts, general resorts, general amusement complexes, international convention facilities, youth training facilities |
| USD 10 million | Logistics terminal complexes, joint collection and delivery center, business operating a harbor facility, logistics business operated within a harbor hinterland complex, business operating an airport facility and logistics business operated within an airport zone, social infrastructure development through private investment business |
| USD 2 million | An R&D facility for operating an industry-supporting service business or business accompanying high technology under the Enforcement Decree of the Restriction of Special Taxation Act. The number of full-time research personnel with a master's degree or higher related to the business and at least 3 years' experience in research must be at least 10 persons. |

※ Related law: Article 25 of the Enforcement Decree of the Foreign Investment Promotion Act

The amount of foreign investment that was executed before filing an application for designation shall be excluded. However, where it is recognized that the paid-in foreign investment amount was used to purchase real estate, etc. in the area in order to obtain designation as an FIZ, the investment shall be recognized as foreign investment. If two or more foreign investors are designated as an individual-type FIZ, they shall sign a contract on the obligation to implement and carry out their investment plans.

### 03. Application for Designation

To be designated as an individual-type FIZ, a mayor or provincial governor shall establish a designation plan including the documents below and submit them to the Minister of Trade, Industry and Energy.

### 04. Rent and Limit on Occupancy

The rent for an individual-type FIZ may be reduced by 100% if the Foreign Investment Committee decides that it will have a positive effect on the national economy. The maximum area to be occupied shall be not more than the area equal to the value of 50% of the amount invested by the tenant company.

### 05. Alteration of Designation

If changes are made to investment plans and designation notices after being designated as an individual-type FIZ, the designation notice must be changed after deliberation by the Foreign Investment Committee. However, minor alterations prescribed separately may be notified through prior consultation with the Minister of Trade, Industry and Energy.

※ List of designated individual-type foreign investment zones:
Refer to Major businesses ▸ FIZ operation page at www.kicox.or.kr

**★ DOCUMENTS**

**Designation Plan for an Individual-type Foreign Investment Zone**

- Details of investment, scale of employment, and details of business of foreign-invested companies to take occupancy in the foreign investment zone
- Attached Form no. 2 of the Guidelines for Operation of FIZ
  Viability of foreign investment to be induced / Funding plans / Plans for supporting major facilities in the foreign investment zone / Managing institution / The implementer of the development project / A land utilization plan and a plan for major infrastructure / Specified details of land, buildings, other articles or, if any, rights to be expropriated or used / Other matters prescribed by the Foreign Investment Committee

※ Related law: Article 25 (6) 2 of the Enforcement Decree of the Foreign Investment Promotion Act



## Service-type Foreign Investment Zones

They refer to areas designated for lease or sale to a foreign-invested company that conducts a service business. Unlike manufacturing-oriented, complex-type foreign investment zones that require large-scale sites, service-type foreign investment zones such as research facilities are designed to support service businesses' demand for moving into areas and buildings.

### 01. Procedure of Designation

The Minister of Trade, Industry and Energy submits the mayor and provincial governor's designation plan to the Foreign Investment Working Committee after reviewing whether it satisfies the designation requirements. The mayor or the provincial governor shall attach a review report that comprehensively considers the feasibility of attracting foreign investment, the effect of regional development, job creation effects, etc., in addition to the anticipated effects of funding when submitting a plan to newly designate or expand a service-type FIZ in the region.

### 02. Requirements for Designation

The land or building to be designated should be available for immediate occupancy and the foreign-invested company's occupancy demand for which foreign investment notification was completed should be specified. However, if a certain area in a national or public property (including buildings) has been designated in advance, companies that completed foreign investment notification must account for at least 30% of the designated space.

### 03. Businesses Eligible for Move-in

Research and development (Natural science and engineering R&D business), finance and insurance, knowledge service (industrial development business), cultural industry (Framework Act on the Promotion of Cultural Industries), tourism business (Tourism Promotion Act, except for casino business)

## 04. Occupancy Requirements

Foreign-invested companies with an FDI ratio of 30% or more that completed foreign-invested company registration no later than the occupancy contract date are qualified as tenants.

### Minimum Number of Employees per in a Service-Type FIZ

| Type of business | Minimum number of employees | Criteria for FDI |
|---|---|---|
| R&D | 5 or more researchers | The FDI amount should be equal to or more than the price of the land or building to be leased. |
| Finance and insurance | 15 or more researchers | |
| Knowledge service | | |
| Culture | | |

- The number of employees is calculated based on the number of permanent workers and refers to the number of workers who have paid their wage & salary income tax per month under the Income Tax Act.
- In the case of a tourism business, the minimum investment should be at least the amount required for the individual-type FIZ pursuant to Article 25 (1) of the Enforcement Decree of the Foreign Investment Promotion Act.

※ Related law: Attached Table 3,4 of the Guidelines for Operation of Foreign Investment Zones

## 05. Lease

Where a site is for lease, an occupancy contract shall be made for a period not exceeding 10 years in total (50 years for R&D business). However, where a building is for lease, an occupancy contract shall be made for a period not exceeding five years in total. The occupancy contract may be renewed only once for a period not exceeding the previous lease period.

## 06. Building Rent Subsidies

The State or a local government may subsidize the rent for buildings in a service-type FIZ. In such case, the State or local government may subsidize an amount not exceeding 50% of the standard rent, but the standard rent shall not include the security deposit.

## Frequently Asked Question & Answer

**Q 01 If a company that moved into an FIZ increases capital to expand business without investment from a foreign investor and consequently its foreign investment ratio falls below 30%, therefore no longer satisfying the qualification for occupancy in an FIZS, should the company pay market rent?**

If a tenant company in an FIZ increases domestic capital without decrease in the foreign investment amount to install factory facilities, machinery, equipment after implementing its business plan and consequently no longer satisfies its qualification for occupancy, the rent reduction rate that has been applied shall remain unchanged. However, in this case, the case, the FDI stock ratio of 10% or more should be maintained.

**Q 02 What is the period for fulfillment of the project plan for the company with occupancy in an FIZ?**

The period shall be 5 years from the occupancy contract date, and its implementation shall be determined with the remaining amount of foreign investment and the building area after the 5-year period.

**Q 03 Is it possible for a foreign-invested company that meets the foreign investment limit by introducing a long-term loan to remain upon maturity of the loan? Is it also possible to reduce rent?**

The redemption at maturity is allowed in accordance with the Foreign Investment Promotion Act, but if the company fails to meet the limit on occupancy by repaying the long-term loan, it shall be reason for cancellation and the rent shall be 5% of the acquisition price, which is the market price.

※ Current status of designated Complex-type FIZ: Sites (p.053)

**Q 04 What is the period for fulfillment of the project plan after moving into a service-type FIZ?**

The period for fulfillment of the project plan (amount of foreign investment, area for construction of buildings, and minimum number of persons to be employed) of a relocating company shall be 3 years from the date the occupancy contract is concluded. On the other hand, the period shall be 5 years in case of the complex-type and individual-type FIZ.

**Q 05 Can a company that move into a service-type FIZ benefit from tax reduction and exemption?**

No tax support under the Restriction of Special Taxation Act is provided to a company in service-type FIZ.

CORPORATE BUSINESS

Incentive

PART 3

# Cash Grant

- Eligibility for Cash Grant
- Support Provided
- Application Process

Cash grant is a system to provide part of the business cost in cash after a deliberation and negotiation process for companies which operate a business accompanying new growth engine technology, a business involving high technology and high-tech products, a materials and components business, a business creating large-scale employment, or a business establishing an R&D center or regional headquarters, to promote FDI which contributes significantly to the national economy.



## Process

An application shall be submitted to The Ministry of Trade, Industry and Energy (Department of FDI Promotion) with support from KOTRA's overseas investment hub offices, Invest Korea or the local government. The FDI Cash Grant Support Center in Invest Korea and its project managers (PM) provide consultation on whether or not the requirements are met, and the application and screening procedures.

| Process | Entity | Details |
|---|---|---|
| Application for cash grant 01 | [Application] Investor (Company)<br>[Reception] Ministry of Trade, Industry and Energy<br>[Support] KOTRA | Submission of application and investment plan<br>Designation of negotiator<br>PM designation and application |
| Evaluation 02 | Advance evaluation committee (limited to reinvestment of unappropriated retained earnings) and evaluation committee | Establishment of cash grant evaluation committee and examination of the application |
| Determination of ceiling 03 | Cash grant ceiling evaluation committee | Establishment of cash grant ceiling evaluation committee and examination of the application |
| Draw up recommendation (negotiation agenda) 04 | Ministry of Trade, Industry and Energy<br>- Local government<br>- Ministry of Economy and Finance | Preparation of recommendation (negotiation) and submission to Foreign Investment Committee |
| Deliberation and decision 05 | Foreign Investment Committee | Decision on whether to provide cash grant |
| Conclusion of contract 06 | Ministry of Trade, Industry and Energy<br>- Local government<br>- Investor | Cash grant is paid after contract conclusion (lump-sum payment or payment in installments) |
| Follow-up management 07 | Ministry of Trade, Industry and Energy, local government, KOTRA | Execute investment and review execution result, review the details of cash grant execution |

★ DOCUMENTS

### Application for cash grant

- Application form (Attached form No. 11-3 form of the Enforcement Rules of the Foreign Investment Promotion Act)
- Investment plan and summary of plan
- Financial statement of the applicant (including the financial statement of the foreign- invested company in case of subsequent investment)
- Details and certificate of investment funds by source / Certificate of foreign investment notification (where the investment has been notified)
- Where the PM's opinion on FDI is required, a PM's comments

※ Related law: Guidelines for operation of cash grant system, Article 6

## Eligibility for Cash Grant

Foreign investment through acquisition of new shares (including foreign investment through the use of unappropriated retained earnings) shall be eligible for cash grant. The foreign investment ratio should be 30% or higher, and investments through long-term loans are not eligible.

### 01. New Growth Engine

Technologies for new growth engine industry and source technology, materials processing technology directly related to new growth technology

※ Related law: Industries under Article 121-2 (1) 1 of the Restriction of Special Taxation Act, attached Table 7 of the Enforcement Decree of the Act, attached Table 14 of the Enforcement Rule of the Act

### 02. High Technology

Construction or expansion of factory, etc. for high technology and high-tech product industry

※ Related law: Article 5 of the Industrial Development Act, Public notice no. 2020-40 by the Ministry of Trade, Industry and Energy, attached Table 1 - Scope of high technology and high-tech product

### 03. Materials and Components

Textile, pulp, chemicals, medicine, rubber, plastic, non-metallic minerals, primary metals, metal processing, electronic components, computers, imaging, audio, and communication equipment, medical, precision and optical instruments, electrical equipment, machinery and equipment, automobiles and trailers, other transportation equipment, furniture, etc.

※ Related law: Article 2 of the Act on Special Measures for the Promotion of Specialized Enterprises, etc. for Materials and Components, attached Table 1 of the Enforcement Rules of the Act

### 04. Job Creation

Manufacturing, construction, transportation, information service businesses that employ 300 or more; wholesale, lodging, financial insurance, specialized science and leisure service businesses that employ 200 or more; education service and other individual service businesses that employ 100 or more; real estate industry and leasing businesses that employ 50 or more.

※ Related law: Article 20-2 (4), attached Table 2 of the Enforcement Decree of the Foreign Investment Promotion Act

### 05. R&D Center

Any new or existing research facility with five or more research-dedicated employees (those with a master's degree or higher in related fields or a bachelor's degree or higher and at least three years' research experience) in fields related to new growth engine technology business, advanced technologies and products, and raw materials, parts, and equipment business

※ Related law: Article 14-2 (1) 5 of the Foreign Investment Promotion Act



### 06. Regional Headquarters

The Minister of Trade, Industry and Energy may designate an establishment as a local headquarters after undergoing deliberation by the Foreign Investment Committee when a global company establishes a business hub for supporting or adjusting key functions such as production, sales, logistics, and personnel management of two or more overseas subsidiaries. The requirements for designation is that the average turnover of its parent company over the preceding five years shall be at least KRW 3 trillion; its parent company shall directly or indirectly own at least 50% of the total number of voting stocks; and it employs 10 or more full-time workers for the core function of the business.

※ Related law: Article 9-3 of the Enforcement Rules of the Foreign Investment Promotion Act

### 07. Others

Where local specialized industry and specialized industry of cooperative inter-region play a central role in creating jobs and strengthening competitiveness of the relevant region and are recognized to contribute to regional economic development.

※ Article 2 Subparagraph 4, 5 of the Special Act on Balanced National Development

## Support Provided

- Purchase costs of, or rental charges for, land or buildings for establishing a factory facility or research facility
- Building costs of a factory facility or research facility
- Purchase costs of capital goods, research equipment and materials to be used for projects or research at a factory facility or research facility
- Installation costs of infrastructure, such as electricity and communications facilities necessary for establishing a factory facility or research facility
- Employment subsidies or education and training subsidies

※ Related law: Article 20-2 of the Enforcement Decree of the Foreign Investment Promotion Act

**Comparison of Allotment Ratio of Financial Fund between Central and Local Government**

| Items | Seoul Metropolitan Area (central: local government) | All regions outside the Seoul Metropolitan Area (central: local government) |
|---|---|---|
| Funds for purchase of land or rent | 40:60 | 60:40 |
| Employment subsidies or education and training subsidies | 50:50 | |

※ For businesses in high-tech industries and the R&D sector, the percentage borne by the central government can be raised by 10%.

# Application Process

## 01. Application Documents

A foreign investor wishing to receive a cash grant should submit documents such as cash grant application and investment plans, as well as a PM's comments on the cash grant to the Ministry of Trade, Industry and Energy.

## 02. Review of Application

An evaluation committee consisting of the PM from Invest Korea and professionals from the Ministry of Trade, Industry and Energy and local government shall be held to evaluate eligibility for cash grant. The level of technology and the technology transfer effect (as technology evaluation), whether the foreign investment overlaps with any domestic investment (as industrial evaluation), and the viability of investment (as financial evaluation) shall be evaluated.

## 03. Determination of Cash Grant Ceiling

A cash grant ceiling evaluation committee consisting of related negotiators and at least two public professionals shall be held to calculate the ceiling of cash grant considering the possibility of investment outside of Korea, job creation effect and the quality of employment, propriety of the location, and the effects on the regional and national economy, and a report shall be submitted to the Ministry of Trade, Industry and Energy. The cash grant shall be negotiated between the negotiator and foreign investor within the ceiling determined by the committee.

★ DOCUMENTS

### Application for cash grant

- Matters to be stated in the investment plan

① Applicant's business performance and financial status (The parent company and overseas subsidiaries shall be included, and reference materials such as business reports shall be submitted separately.)
② Total investment amount and foreign investment amount
③ Information on investment site (area, size, method of acquisition, cost, etc.)
④ Annual investment plan for the following five years (to be classified by fixed assets such as land, building, facilities)
⑤ Annual plan on procuring investment funds and operating funds for the following five years (to be classified by funds procured internally, funds procured externally, cash grant, etc.)
⑥ Detailed business plan (statement of business, product, technology, technology level, manufacturing process, front and back industries, business relationship with parent company and overseas subsidiaries, etc.)
⑦ Supply and demand in domestic and foreign markets and future outlook (including rival businesses and their outlook)
⑧ Annual employment plan for the following five years (Data on number of employment of science and engineering majors classified by academic career. The new employments should be classified into regular/non-regular workers and domestic employees/ foreign employees.)
⑨ Pro forma financial statement for the following five years (projections on factors comprising cost of sales and backup data should also be submitted)
⑩ Research and development plan for the following five years (training and education costs, existence of an affiliated research center, size of R&D personnel classified by academic career, joint research activities with domestic companies and research institutes, etc. should be included
⑪ Reason for investing in Korea (including merits and demerits in comparison with alternative target countries)
⑫ Contributions to the local and national economy for the following five years (scale of manufacturing, export and domestic sales, direct and indirect employments, tax payments, linkage effect on front and back industries through procurement of materials and product sales, function as an Asia regional headquarters, etc.)
⑬ Other necessary matters

→ The application submitted by the applicant shall be protected as a trade secret and shall not be disclosed without the applicant's consent, except as necessary for the review for cash grant

※ Related regulations: Related regulations: Enforcement Rules of the Foreign Investment Promotion Actin attached Form 11-3 of the Enforcement Rules, attached Form 1 of Article 6 (3) of guidelines for operation of cash grant scheme

## 04. Negotiation and Decision of Cash Grant Amount

Approval of cash grant is determined after the Ministry of Trade, Industry and Energy consults with the Minister of Economy and Finance and the relevant local government and the Foreign Investment Committee undergoes a deliberation and resolution. The cash grant is paid after concluding a cash grant contract. However, if the cash grant amount excluding the amount provided for site support is less than KRW 1 billion, a decision to provide cash grant can be determined by a deliberation and resolution by the Foreign Investment Working Committee.

## 05. Payment Method

Cash grant can be paid in lump sum within one year from the date the contract is concluded or up to 10 installments within five years from the conclusion contract date. An applicant should set up a separate account for the cash grant and account for the revenue and expenditure. When cash grant is paid in installments, the applicant should submit an application that sates the size and purpose of the cash grant, the investment execution performance, expenditure of cash grant, etc. shall be considered before cash grant is paid, and the amount and period of the payment can be adjusted.

## 06. Conclusion of Contract

When cash grant is approved, the Minister of Trade, Industry and Energy, the head of the relevant local government and the applicant shall become parties to the cash grant contract and the contract shall include the cash grant contract period, method of payment of cash grant, acquisition and rent of leased land, etc.

IN DETAIL

### 1. Aftercare

The president of KOTRA shall check the applicant's investment execution plan, R&D activities, etc. every year during the contract period and submit a report to the head of the local government and the Minister of Trade, Industry and Energy.
After the applicant has spent the cash grant, he/she should submit a report to the president of KOTRA within two months. Also, when the cash grant is paid in full, the applicant should return the remaining cash grant amount and interest incurred for the cash grant in the relevant year.

### 2. Duties of the Applicant

An applicant shall faithfully perform the obligations prescribed in the contract for cash grant and the investment expenditure plan.

- In order to ensure the recovery and replacement of all assets, an indemnity insurance contract shall be concluded or measures corresponding thereto shall be taken.
- Contracts for acquiring an asset shall be concluded by means ensuring the efficient use of cash grant, such as open bidding, certified appraisal, or acquisition of two or more estimates.

※ Related law: See Form No. 2 Performance Report of Cash Support Contract, Form No. 3 Performance Report of Cash Subsidy, Guidelines for the Operation of Cash Support System

- In order to use an asset supported by cash grant for any purpose other than the relevant project, or to transfer, exchange, lease or offer it as security, the applicant shall obtain prior written approval from the Minister of Trade, Industry and Energy.
- No cash grant shall be misappropriated as dividend, royalty, etc., and the relevant foreign-invested company shall not provide any guarantee of an obligation for any purpose other than the relevant project.
- An applicant shall provide sufficient information for the examination of contract performance during the contract period and shall submit, to the Minister of Trade, Industry and Energy, an annual report audited by an external auditor. With respect to the research and development field, a report on the status of research and development activities and the outcomes thereof shall be submitted in addition to the annual report. Any applicant who has applied for cash support under Article 2 (1) 4 (d) (Reinvestment of unappropriated retained earnings) of the Act should set up a separate account for the amount to be recognized as foreign direct investment by reinvesting unappropriated retained earnings immediately when the cash support contract is concluded.

### 3. Reduction or recollection of cash grant

In the event of fraudulent or unjust application, etc., the relevant cash grant is to be withdrawn or the amount is to be reduced or recollected through deliberation by the Foreign Investment Committee.

INFORMATION

## Roles of the Invest Korea Investment Strategy Team (Foreign Investment Cash Support Center)

| Category | Description |
|---|---|
| 1. Counseling | The Foreign Investment Cash Support Center provides counseling and other support services concerning the requirements, application procedures, required documents, etc. related to the cash support system to foreign direct investors, municipal governments, and other related agencies. |
| 2. Survey of demand | The Center periodically conducts a demand survey among foreign direct investors and foreign invested businesses to share the information with the central and municipal governments and to enhance the predictability of the size of cash support by region and period. |
| 3. Assessment and analysis | The Center holds advance assessment committee (when unappropriated retained earnings are reinvested), assessment committee, and limit determination committee meetings to assess cash support and determine the limit and also supports the review of cash support contracts when the draft is prepared. |
| 4. Designation of negotiators and project managers | Foreign investors may request the Ministry of Trade, Industry and Energy for counseling or negotiation concerning the cash support before and after applying for cash support. In such cases, the Ministry and municipal government nominate and notify negotiators, whereas KOTRA supports the applicant by nominating a project manager. |

※ Inquiry concerning cash support: 02-3460-7852, 7834

## Advance Examination System

Where necessary to proactively attract foreign investment expected to have a significant effect on the national economy, the president of KOTRA may recommend the Minister of Trade, Industry and Energy to first prepare a negotiation agenda for the advance examination of cash grant and submit it to the Foreign Investment Committee.

The Minister of Trade, Industry and Energy shall submit to the Foreign Investment Committee the negotiation agenda through consultations with the Minister of Economy and Finance (including consultations with the relevant local government, where a local government in charge is confirmed).

- Negotiation plans include information concerning the relevant investment project, minimum requirements for cash support, minimum amount (ratio) of cash support, and other items that may be flexibly addressed in the entire process of negotiation on the limit amount.

When the negotiation plan is approved, the negotiator should complete the negotiation with the foreign investor (the period may be extended within one year) to let the applicant apply for cash support. The cash support contract is signed in consultation with the Minister of Strategy and Finance and the head of the relevant municipal government after the application is made.

- Among the documents to be submitted for the cash support, the applicant is exempted from submitting the market trends at home and abroad, estimated financial statements five years from now, and PM's written opinion.

※ Related law: Guidelines for operation of cash support system Articles 14 to 17

Frequently Asked Question & Answer

**Q 01 Is a company moving into a foreign investment zone eligible to apply for a cash grant?**

A company that leases land by moving into an FIZ is eligible to apply for a cash grant. However, the rent which is reduced or exempted for such occupancy in an FIZ until a contract for a cash grant is concluded shall be included in the cash grant ceiling, which results in a reduced cash grant amount.

※ Related law: Guidelines for operation of cash support system, Article 10 (6)

CORPORATE BUSINESS

Incentive

PART 4

# R&D Support

- Business-Affiliated Research Institute, etc.
- Research and Development Service Business

Korea has a well-structured industrial infrastructure and advanced human resources, making it an optimal place for research and development activities. Moreover, the Korean government pursues sustainable growth and invests in high technology and future growth engine industries, and also does not spare efforts to support R&D activities which lay the foundation for the nation's competitiveness. On receiving the report of business-affiliated research institutes and R&D departments of companies, the government provides benefits for R&D activities in regard to research personnel, taxation, customs duty, funding and technical support. A business that supports R&D activities can be designated as a research and development service business to receive government incentives similar to that provided to business-affiliated R&D institutes in areas such as research personnel, taxation and finance. In particular, a foreign-invested company can receive additional incentives including cash grants, tax benefits and site support if it has an R&D facility that meets certain qualifications. In addition, a regional headquarters or R&D facility designated by the Minister of Trade, Industry and Energy are eligible to apply for a business investment (D-8) visa.



## Business-Affiliated Research Institute, etc.

Business-affiliated research institutes and departments devoted to R&D shall receive various incentives for R&D activities by reporting to and registering at the Korea Industrial Technology Association.

→ Current status : 40,693 business-affiliated research institutes, 27,787 departments solely responsible for R&D (as of Sep. 2019)

※ Related law: Article 14-2 of the Basic Research Promotion and Technology Development Support Act, Article 16-2 of the Enforcement Decree of the Act

### 01. Reporting

After the establishment of a business-affiliated research institute or a department devoted to R&D meeting certain qualifications, the necessary documents shall be prepared and submitted to the Korea Industrial Technology Association (KOITA). Reporting is only available online.

**Reporting Process**

| Establishment of research institute | Registration of establish ment report | Reception and examination of the report |
|---|---|---|
| Advance consultation | Online | KOITA |
| | Issuance of certificate | Follow-up management |
| | Print online | KOITA |

* Due Date for Processing: Processing is completed within seven days of submitting the report. However, the time it takes for the company to correct incomplete application forms and submit omitted documents shall not be included in the processing period.

※ **Contact (Application for business-affiliated research institute or department devoted to R&D)**

KOITA research institute approval team 02-3460-9141~46, 9013~17

## 02. Requirements for Approval

Business-affiliated research institutes or departments devoted to R&D must satisfy both human resources requirements and facility requirements in order to receive approval.

| Classification | | | Requirements |
|---|---|---|---|
| Human resources requirements | Business-affiliated research institutes | Start-ups | 2 or more research personnel |
| | | SME established by researchers | |
| | | Small-sized company | 3 or more research personnel (2 or more within 3 years of starting business) |
| | | Medium-sized company | 5 or more research personnel |
| | | Corporate research institutes located overseas (Overseas research institutes) | |
| | | Middle-standing company | 7 or more research personnel |
| | | Conglomerates | 10 or more research personnel |
| | Departments dedicated to R&D | Applied regardless of company size | 1 or more research personnel |
| Facility requirements | Required facilities and space | | Independent research space and facilities essential for R&D activities |

### IN DETAIL

**Requirements for Approval as a Research Institute**

① Qualifications of a Research Personnel

A holder of a bachelor's degree or higher in the field of science (natural science, engineering, and medical fields) or a technical and functional engineer related to the R&D activities under the National Technology Qualification Act. This criteria applies to any company regardless of its size, but separate qualification criteria shall be applied in the case of small and medium-sized enterprises, middle standing enterprises, and companies whose main area of business is industrial design and knowledge-based services.

※ Related law: Article 2 (3) of the Enforcement Rules of the Basic Research Promotion and Technology Development Support Act

② Research Space and Facilities

Fixed walls should be installed so that the research space can be distinguished from other departments and independent space with a separate entrance shall be secured. In the case of small businesses, it is permitted to set aside a small research space (floor space of 300 ㎡ or smaller) with partitions to distinguish it from other departments instead of installing an entrance and attach a signboard to a partition. Machinery, equipment, instruments and materials to be used directly in R&D activities must be present in the research space.

## 03. Support Provided

A company that registered its business-affiliated research institute or department solely responsible for R&D is eligible to receive support in regard to taxation, customs duties, employment, funds, sales channels and technology.

### ① Tax and Customs Duties Support

| Items | | Related laws |
|---|---|---|
| Tax credit for research expenses and HR development expenses | General research | Article 10 of the Restriction of Special Taxation Act (Attached Table No. 6) |
| | New growth engine | Article 10 of the Restriction of Special Taxation Act (Attached Table No. 7) |
| Tax credit for integrated investment | | Article 24 of the Restriction of Special Taxation Act |
| Local tax reduction for the real estate to be used as a business-affiliated research institute | | Article 46 (1) of the Restriction of Special Local Taxation Act |
| Special taxation for technology transfer and leasing, etc. | | Article 12 of the Restriction of Special Taxation Act |
| Income tax reduction for foreign engineers | | Article 18 of the Restriction of Special Taxation Act |
| Special taxation for the contributions related to R&D, etc. | | Article 10-2 of the Restriction of Special Taxation Act |
| Corporate tax reduction for high-tech companies in special research and development zones | | Article 12-2 of the Restriction of Special Taxation Act |
| Non-taxation of income tax for research funds for a research personnel | | Article 12 Subparagraph 12 Item c of the Enforcement Decree of the Income Tax Act |
| Customs duty exemption for industrial technology R&D goods | | Article 90 (1) 4 of the Customs Act |

### ② Financial Support

| Ministry | Funding | Related Information |
|---|---|---|
| Ministry of Science and ICT | Support for technology development business | • National Research Foundation of Korea (www.nrf.re.kr)<br>• Korea Foundation for the Advancement of Science and Creativity (www.kofac.re.kr)<br>• National IT Industry Promotion Agency (www.nipa.kr) |
| Ministry of Trade, Industry and Energy | Development of core technology of industries, etc. | • Korea Institute for Advancement of Technology (www.kiat.or.kr)<br>• Korea Evaluation Institute of Industrial Technology (www.keit.re.kr) |
| Ministry of SMEs and Startups | Business of technology development, etc. for new product | • Korea Technology & Information Promotion Agency for SMEs (www.tipa.or.kr)<br>• Ministry of SMEs and Startups (www.smtech.go.kr) |

### ③ Human Resources

| Support Provided | Details | Contact |
|---|---|---|
| Expert research personnel system | Substitute for military service | KOITA 02-3460-9124 |
| Research manpower support project for small- and medium-sized company (employment, dispatch) | Support of personnel expenses when employing research manpower | KOITA 02-3460-9082 |
| Support project for core research manpower development for companies of middle standing | Support of personnel expenses when employing research manpower | KIAT 02-6009-3541 |
| Youth Tomorrow deduction | Support for young adults' savings | Ministry of SMEs and Startups 1357 |
| Project internship linking ICT academic credits | Subsidy for the cost of internship programs | Federation of Korean Information Industries 02-2132-0726 |
| Capacity-building project for industrial professionals | Funding for professional human resources development | KIAT 02-6009-4375 |
| Project for invitation of high-level overseas scientists (Brain pool) | Funding for invitation and research support | National Research Foundation of Korea 042-869-6377 |
| Employment recommendation system (Gold Card) | Employment recommendation of overseas technical talent | KOTRA 02-3460-7338 |
| Global talent discovery service | Support attraction of overseas professionals | KOTRA 02-3460-7337 |
| Subsidy of additional employment of the young | Support of employment subsidy | Ministry of Employment and Labor 1350 |
| Meditation center for science and engineering human resources | Brokerage of science and engineering human resources | KOITA 02-3460-9033 |

### ④ Technology Support

| Department | Support | Related Information |
|---|---|---|
| Ministry of Trade, Industry and Energy | Reliability voucher project (Support to material development) | www.신뢰성바우처.org |
| Ministry of Science and ICT | K-Global projects | k-global@nipa.kr<br>www.nipa.kr |
| | Support to industry-study cooperation cluster | www.koita.or.k |
| | Follow-up R&D project of joint academic research institute | |
| Ministry of SMEs and Startups | Support for consulting of small- and medium-size company | www.smbacon.go.kr |
| | Support for acquisition of overseas standard certification | www.exportcenter.go.kr |
| Korea Intellectual Property Office | Strategy support business for IP-R&D | http://biz.kista.re.kr/ippro |
| | Support for patent technology evaluation related to commercialization | www.kipa.org |

## Research and Development Service Business

A research and development service business outsources R&D activities, and can be classified into R&D business conducting independent or entrusted R&D activities for profit, and R&D support business supporting R&D activities. An R&D support business operator can report and register R&D research service business at the Korea R&D Service Industry Association (Agency of the Ministry of Science and ICT) to participate in national research and development projects and receive various support from the government.

→ Current Status: 821 research and development businesses, 710 research and development support businesses (As of Aug. 2019)

※ Related law: Article 2, 25 of the Special Act on Support of Science and Engineers for Strengthening National Science and Technology Competitiveness

| Type | Business Contents | Business to Report |
|---|---|---|
| Research and development business | A business conducting R&D activities that have been partially or wholly entrusted (entrusted research) by a company that is unable to independently meet its R&D demand, or a business developing and supplying technology that is needed in the market. | • R&D for physics, chemistry and biology<br>• Agriculture R&D<br>• Engineering and technological R&D<br>• Other natural science R&D<br>• R&D business in the field of convergence related to science and engineering industry |
| Research and development support business | R&D consulting, R&D planning and evaluation, leasing and trading of research equipment, technology management and technology strategies, and the securing and support of technical personnel required for analyzing scientific and technological data, to support the R&D activities of R&D entities. | • R&D consulting specialist<br>• Technology market research specialist<br>• Specialist for patent administration and its agency<br>• Investment and financing technology development, mediation and agency of technology trading<br>• Material component inspection business<br>• Structure and product inspection business<br>• R&D product design<br>• Supply of researcher and education and training<br>• R&D support for business in the field of convergence related to science and engineering industry |

* Source: Korea R&D Service Industry Association, System of application and support for R&D service business

## 01. Method of Reporting

An R&D service operator meeting certain qualifications shall have a certificate issued by completing an online application and undergoing document examination and field survey.

### Procedures for Reporting a Research and Development Service Business

| | |
|---|---|
| **Application of Documents** | Online |
| Inquiry of supplement | |
| **Examination of Documents** | Association |
| **Field Survey** | Association and applicant |
| **Approval** | Association |
| **Issuance of the Certificate** | Online |

→ Due date: The process shall be completed within 30 days after the receiving the report. However, a supplemental period for the incompletion of the application or related documents shall not be included.

**※ Contact (Application of research and development service business)**

Korea R&D Service Industry Association
TEL 02-540-4172 / FAX 02-540-4132
e-mail: korsia@rndservice.or.kr / Website www.rndservice.or.kr

## 02. Requirements for Approval

All of the human requirements, physical requirements and turnover requirements must be met for the recognition of the business.

| Requirements | R&D Business | R&D Support Business |
|---|---|---|
| Human Resource Requirements | 5 or more scientists or engineers | 2 or more scientists or engineers |
| Physical Requirements | Independent research facilities | N/A |
| Turnover Requirements | R&D service sales account for 50% or more of total sales | |

## 03. Support

A company registered as an R&D service business is permitted to participate in national research and development projects and receive support for human resources, taxation, and funding, etc.

### ① Human Resources Support for R&D

| Support provided | Details | Contact |
|---|---|---|
| Selection of designated entities for expert research personnel (special cases of military service) | Selection etc., of Designated Entities (Article 36, 39 of the Military Service Act) | KOITA 02-3460-9124 |

→ Korea Industrial Technology Association (KOITA) will receive the application for selection of designated entities for expert research personnel (special cases of military service).

### ② Major National Research and Development Projects to Support

| Ministry of Science and ICT | Ministry of Trade, Industry and Energy | Ministry of SMEs and Startups | Ministry of Land, Infrastructure, and Transport | Ministry of Agriculture, Food and Rural Affairs |
|---|---|---|---|---|
| • Basic research project | • Energy technology development | • Support for cooperative utilization of research equipment | • Construction technology research | • Livestock disease response technology development |
| • Space technology development | • Promotion of technology transfer and commercialization | • Technology innovation development of small and medium sized business | • Plant research | • High value-added food technology development |
| • Nuclear R&D | • Technology development related to electric power industry | • Hybrid technology development of small and medium sized business | • National territory information research | • Agricultural life industry technology |
| • Nuclear fusion and accelerator R&D support | | • Commercialization technology development of small and medium sized business | • Railroad technology research | • High-tech production technology development |
| • Information and communication broadcasting R&D | | • ESP(Technology specialist business) | • Aviation safety technology research | • Post-genome Ethical, Legal and Social Implications |
| • Industrial technology development | | | | |

→ Appropriation of labor cost in cash for R&D service business: If an R&D service business participates in national research and development projects, the labor cost for R&D shall be appropriated in cash to support R&D activities.

### ③ Financial Support

| Support Provided | Details |
|---|---|
| Technology assurance system | The Korea Technology Finance Corporation provides financial support from financial institutions by issuing technical guarantee certificates after reviewing the technical skills of small- and medium-size enterprises. |
| Technology assessment system | A system to evaluate the technicality, business feasibility and marketability of an intangible technology and display the amount, grade, and opinion. |
| Contact | Korea Technology Finance Corporation (KIBO): 1544-1220 |

### ④ Tax Support

| Support Provided | Details |
|---|---|
| Tax reduction for small and medium start-up companies, etc. | Reduced income tax or corporate tax rates for small businesses designated as small and medium-sized businesses and research and development service companies identified as operators of start-up incubating centers outside the overconcentration control areas of the Seoul Metropolitan Area. |
| Application of special cases for small and medium start-up companies | Reduction of income tax or corporate tax rate according to the size and location of R&D and R&D support activities among SMEs |
| Tax credit for R&D cost to R&D business | Deduction of a certain percentage of R&D expenses incurred by a company from corporate tax or income tax |
| Tax reduction for facility investment concerning research and human resource development | A certain percentage of investment is deducted from income tax or corporate tax for research and human resources development by Koreans or facility investment (excluding used goods) for the commercialization of new growth technologies. |
| Tax credit for the amount of technology transfer and acquisition | In the event that a Korean national transfers and acquires patent rights, utility bills, technical secret or technology, a certain percentage of the acquisition amount is deducted from income tax or corporate tax for the year. |
| Special tax reductions or exemptions for small and medium-sized companies | A system of reducing a certain percentage from income tax or corporate tax rate for small and medium-sized businesses. |
| Special cases of taxation on R&D related contributions, etc. | Where assets including contributions for research and development are received, the equivalent amount shall be excluded from gross income when calculating the amount of income. |
| Tax reduction for high-tech companies moving into special research and development zone | High-tech or small research companies in special R&D zones shall receive a reduction in income tax (corporate tax) when engaging in a business subject to tax reduction. |

## 04. Processing

Reporting of R&D service business establishment is only available online, and requires additional documents related to the company after online documents reception, examination and field survey.

## Frequently Asked Question & Answer

**Q 01 If a company dedicated to research has only a department responsible for research and no other departments and the representative director takes care of all other matters (e.g., management), can the company apply for a department devoted to research?**

The applicant company must have one or more other department in addition to a business-affiliated research institute or department devoted to research, and one or more full-time employee (excluding the representative director) should be working for the other department(s). Research personnel and full-time employees should be subscribed to the four major insurances of Korea.

**Q 02 Can a department carrying out research activities on economic trends, etc. be recognized as a business-affiliated research institute or a department devoted to research?**

Research activities other than those in science and technology such as market research and economic trend study are not recognized. The final output should be related to scientific and technological progress and be aimed at providing a systematic solution to scientific and technological uncertainties. Daily repetitive software-related activities such as operation of computing system in the company and commercial production after the product test phase are not considered R&D activities.

**Q 03 What are the differences between a business-affiliated research institute and department devoted to research and development?**

The facilities requirement for application is the same for both a business-affiliated research institute and a department devoted to research and development, but in terms of human resources requirement, the requirements are eased for departments devoted to R&D (i.e., the number of full-time researchers is one or more). Benefits for taxation and customs duties are identical for the two, but there are some differences in taxation of local tax (including acquisition tax and property tax) and special cases concerning military service system.

**Q 04 Is a researcher in a business-affiliated research institute able to engage in activities such as sales support in addition to R&D activities?**

No person working in any business-affiliated research institute, etc., shall assume any duties other than research and development activities, including any business activities relating to production, selling, and sales. However, this excludes cases where any person working in a business-affiliated research institute, etc., of a small enterprise for which three years have not passed since the date of its establishment, concurrently serves as a chief executive officer of the small enterprise.

※ Related law: Article 14-4 of the Basic Research Promotion and Technology Development Support Act

CORPORATE BUSINESS

Incentive

PART 5

# Management Support

- Incubating
- Employment Support for Foreign-Invested Companies
- Red Carpet Service for Support Entry and Departure



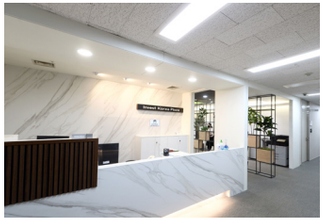
## Incubating

IKP (Invest KOREA Plaza) operated by KOTRA is an exclusive business incubation center for foreign investors and offers offices to support investors' initial settlement.
Foreign-invested companies which rent offices at IKP receive not only services such as administrative support and business consultations, but also the right to use private offices with secretarial service, exclusive business lounges and rooms for consultation, video conference or meetings, and sleeping and shower facilities, thus maximizing convenience for foreign investors.

Foreign investors planning to notify foreign direct investment based on the procedure stipulated in the Foreign Investment Promotion Act or foreign-invested businesses whose FDI amount will reach KRW 100 million or more within one year from the date of IKP move-in can be accepted as tenants through a review of their qualifications.

### ① Overview of IKP Facilities

Front view



Lobby and cafeteria

Meeting room (80 seats)

Office (for 5 persons)

Office (for 2 persons)

Business lounge

* Photographs: Invest KOREA website / Office size: 21.82 m² ~ 32.4 m² (for 2 persons), 50.24 m² (for 5 persons) / Office size and type may vary depending on the circumstances.

### ② Moving into IKP Business Incubating Facilities

| Category | Details |
|---|---|
| Selection criteria | • Foreign-invested company: examination of minimum investment (notified amount) and business plan etc., negotiations on conditions for occupancy, and selection through internal review<br>* There are extra points for a recommendation from a KOTRA overseas invest hub offices or project managers in charge of attracting foreign direct investment |
| Contract period | • Foreign-invested company: 2 years; companies in an industry in which the government attracts investment strategically may extend the period additionally. |
| Rental fee | • KRW 33,000/ ㎡ (including VAT), deposit: 6 months of rental fee |
| Support provided | • Support for utilizing the office and business center for foreign-invested companies' initial settlement<br>• Guaranteeing information exchange and networking via PM for the contract period |

### ③ Procedure of Application

Consulting for occupancy → Application and reception → IKP Occupancy Screening Committee → Move into IKP → Sign Rental Contract → Result Announcement (within 1-2 Weeks)

### ④ IKP Occupancy Consulting

Invest KOREA Investment Strategy Team
Contact: 02-3497-1000, e-mail: ikp@kotra.or.kr

## Employment Support for Foreign-Invested Companies

### ① Overview

KOTRA supports the hiring of personnel required for the domestic business operations by foreign-invested businesses and potential foreign direct investors. Foreign-invested businesses' employment is supported by organizing job fairs, employment consultation sessions, and operating a job recruit website for foreign-invested businesses

### ② Eligibility

Foreign-invested businesses, potential foreign investors

### ③ Support Programs

| Programs | Details | Interval |
|---|---|---|
| Job fair for foreign-invested companies | The biggest job fair for foreign-invested companies in Korea. Various programs such as online and offline job consulting, job information sessions, employment consulting for job seekers, etc. are provided. | Once a year |
| Meeting between foreign-invested companies & job seekers | Small group offline meeting between foreign-invested companies and job seekers to provide job information | Twice a year |
| Local job fair in partnership with universities | Local foreign-invested companies planning to hire and local job seekers are given an opportunity to meet online and offline | 4 times a year (tentative) |
| Publication of booklet on great foreign-invested companies to work for | Great foreign-invested companies' corporate culture, HR system, etc. are introduced. | Once a year |
| Website for foreign-invested companies' recruiting | An online website provides information such as notice of recruiting by foreign-invested companies and enables companies to search talents online.<br>(http://www.jobkorea.co.kr/Theme/kotra) | Around the year |

### ④ Participation fee: Free

### ⑤ How to Apply

Job fair: Apply online www.jobfairfic.org
Other programs: Apply through official e-mail (jf@kotra.or.kr)

### ⑥ Contact

Invest Korea's Hiring Support Department for Foreign-Invested Businesses
02-3460-7846, jf@kotra.or.kr

# Red Carpet Service for Support Entry and Departure

### ① Overview

KOTRA provides one-stop service for all matters required during the stay of foreign investors visiting Korea.

### ② Eligible Persons [Foreign direct investors]

Those who are recommended by the central government ministries, KOTRA overseas offices, municipal governments, free economic zone authority, and foreign diplomatic mission in Korea among foreign investors who meet the given requirements

### ③ Contents of Support

| Category | Detailed contents | Basic | Premium |
|---|---|---|---|
| Support for entry procedure | Pickup at gates and guide through CIQ | ○ | ○ |
| Chauffeur service | Incheon airport to hotel travel | ○ | ○ |
| | Throughout the stay period | - | ○ |
| Accompaniment by the project manager | - | As required | ○ |
| Arrangement of investment counseling | Interview with related government agencies and high-ranking industry leaders | - | ○ |
| Tour of industrial sites | - | - | As required |
| Provision of lunch/ dinner | - | - | As required |
| Airport drop-off service | Pickup from hotel to Incheon airport | - | ○ |
| | Pickup from Gimpo airport/Seoul station to Incheon airport | - | ○ |

### ④ Service Fee: Free

### ⑤ Selection Standards

- Foreign businesses whose investment needs to be induced aggressively, including those with advanced technologies, high value-added service businesses, and businesses that are expected to create a large number of jobs
- Foreign businesses currently conducting projects that are highly likely to lead to investment in Korea, including projects where an MOU has been signed, investment has been notified, location (factory space) has been secured, or M&A agreement has been signed.

* Note, however, that the program excludes those investors visiting Korea periodically by having developed business relations in Korea already or visiting specific businesses only.

* In case of premium service, the service is limited to executive level personnel who can exercise substantial influence on the investment decision.

### ⑥ Application Method:

KOTRA website www.kotra.or.kr

▶ Support for attraction of foreign direct investment

▶ Support for investors' visit to Korea

### ⑦ Contact

Invest KOREA Investment Strategy Team

02-3460-7834 / mjpark@kotra.or.kr

# 03

CORPORATE
BUSINESS

# Practice

- Taxation
- Customs Clearance and Introduction of Capital Goods
- HR and Labor
- Intellectual Property System
- Foreign Investment Ombudsman System
- Dissolution and Liquidation

CORPORATE BUSINESS

Practice

PART 1

# Taxation

- National Tax
- Local Tax
- Transfer Pricing Taxation
- Restriction of deduction of interest expenses
- Tax Treaties

Taxation in Korea 2022 (KOTRA)

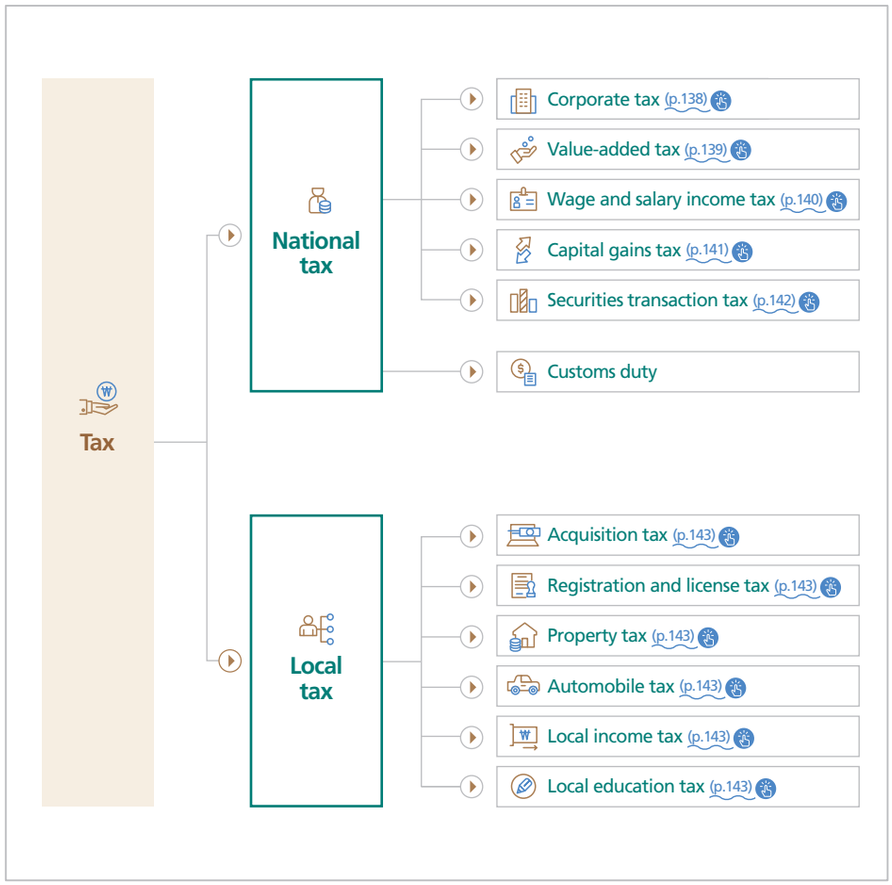
[One Point Lesson] Tax reduction/exemption for Small and Medium Start-up Businesses



The tax system in Korea is categorized into national tax and local tax depending on the authority of taxation. National tax includes corporate tax, income tax and customs duty on imported goods. Local tax imposed by local governments includes acquisition tax, registration and license tax and property tax.

In particular, foreign-invested companies should be mindful of transfer pricing regarding international transactions between special related parties including foreign investors, and the thin capitalization system on debt.

## Major Taxes Related to FDI



# National Tax

## 01. Corporate Tax

Corporate tax is imposed on the taxable income of corporations. Incorporated associations and foundations, as well as for-profit and non-profit corporations, are taxed like general corporations.

### ① Taxpayer and taxable income

A domestic company (a company whose headquarters, main office or actual place of business is in Korea) should pay corporate tax for all income generated in Korea and overseas, and a company should pay corporate tax for income incurred in Korea (domestic-source income).
→ A foreign-invested company is deemed a domestic company because it was established in Korea.

The taxable incomes subject to reporting are income for each business year, income from dissolution, non-reflux income, capital gains from sale of land, etc.
The amount of income for each business year is calculated by reflecting deductible expenses and taxable income to net profit under the Corporate Tax Act.

### ② Business Year

The business year shall be one accounting period determined by law or the articles of incorporation. However, the period shall not exceed one year.

### ③ Deadline for Reporting

Within three months from the end of the month in which the end of each business year falls, the tax base and the amount of corporate tax on the income for that business year shall be reported to the head of the relevant tax office having jurisdiction.

### Tax Rate

| Tax Base | Tax Rate |
|---|---|
| KRW 200 million or less | 10% of the tax base |
| More than KRW 200 million, but not exceeding KRW 20 billion | KRW 20 million + (Amount over KRW 200 million x 20%) |
| More than KRW 20 billion but not exceeding KRW 300 billion | KRW 3.98 billion + (Amount over KRW 20 billion x 22%) |
| Exceeding KRW 300 billion | KRW 65.58 billion + (Amount over KRW 300 billion x 25%) |

→ When paying corporate tax, local income tax (10% of the corporate tax) is additionally imposed.

## 02. Value-Added Tax

Value added tax (VAT) is a tax that is reported and paid for added value acquired in the process of providing goods and services and importing goods.

### ① Taxpayer and Taxable Income

Taxpayers are businesses or importers of goods, and VAT is calculated by subtracting input tax (total sales x tax rate) from output tax (total amount of purchase x tax rate).

### ② Business Year and Reporting Deadline

The two taxable periods of VAT shall be from January 1 to June 30 and from July 1 to December 31. However, due to the preliminary reporting period, there is a duty to report quarterly.

| | First Period | | Second Period | |
|---|---|---|---|---|
| Period | 1st Jan - 31st Mar | 1st Apr - 30th Jun | 1st Jul - 30th Sep | 1st Oct - 31st Dec |
| Report and tax payment period | 1st Apr - 25th Apr | 1st Jul - 25th Jul | 1st Oct - 2 5th Oct | 1st Jan - 25th Jan of following year |

### Tax Rate

| Tax Base | Tax Rate |
|---|---|
| Domestic sales | 10% |
| Export of goods, overseas provision of services, etc. | 0% |

**IN DETAIL**

Even if services are provided to foreigners, a 10% tax rate on sales may apply, so make sure to check all requirements. For example, a VAT of 10% is imposed on domestic real estate leased by a foreign corporation.

### ③ Obligation to Issue Tax Invoices

When a business supplies goods or services, an invoice (hereinafter referred to as "tax invoice") should be issued for the person who receives the goods or service.
Businesses are obliged to issue electronic tax invoices, which can be issued through the website of the National Tax Service (hometax.go.kr ▸ Login with digital certificate ▸ inquiry/issuance service). A tax invoice should be issued at the time of supplying goods or services although since there are various exceptions concerning the supply of goods or services, the issuer must adhere to the time of issuance as prescribed by the Article 34 of the Value Added Tax Act or be subject to a penalty.

## 03. Wage and Salary Income Tax (for workers)

Wage & salary income tax is a tax levied on the amount given in return for providing labor. Wage & salary income, regardless of its name and form, includes goods and stocks in addition to cash.

### ① Taxpayer and Taxable Income

The worker who is paid for providing work is a taxpayer, and the relevant tax (for payments for service, such as salary and bonus) is calculated and reported according to the simplified tax table. Each month, the company withholding tax pays income tax. In February of the following year, the year-end settlement finalizes the income tax to be paid by the worker in the previous year and settles the withheld tax amount.

### ② Reporting Deadline

The income tax should be reported by the 10th day of the month following the month in which wage and salary is paid.

### Tax Rate

| Tax Base | Tax Rate |
|---|---|
| KRW 12 million or less | 6% of the tax base |
| Over KRW 12 million but not over KRW 46 million | KRW 720,000 + (15% of the amount over KRW 12 million) |
| Over KRW 46 million but not over KRW 88 million | KRW 5.82 million + (24% of the amount over KRW 46 million) |
| Over KRW 88 million but not over KRW 150 million | KRW 15.9 million + (35% of the amount over KRW 88 million) |
| Over KRW 150 million but not over KRW 300 million | KRW 37.6 million + (38% of the amount over KRW 150 million) |
| Over KRW 300 million but not over KRW 500 million | KRW 94.6 million + (40% of the amount over KRW 300 million) |
| Over KRW 500 million but not over KRW 1 billion | KRW 174.6 million + (42% of the amount over KRW 500 million) |
| Over KRW 1 billion | KRW 384.6 million + (45% of the amount over KRW 1 billion) |

→ Local tax is imposed in addition to income tax.

**IN DETAIL**

### Obligation of Tax Payment on Wage and Salary Income from Nonresident

① Wage and salary income received from a foreign institution or UN Forces (excluding US Forces) stationed in the Republic of Korea

② Wage and salary income received from a nonresident abroad or a foreign corporation (excluding a branch or a sales office thereof in the Republic of Korea) (Excluding income calculated as necessary expenses or deductible expenses when calculating the amount of domestic source income of a domestic place of business)

In this case, the withholding agent is virtually unable to withhold the tax, thus the taxpayer must calculate and report the tax base and tax amount. The tax withholding system by a taxpayers' association is recommended, and in this case, a 5% tax credit is granted.

※ Article 150 of the Income Tax Act

## 04. Capital Gains Tax (stocks, etc.)

Capital gains tax is levied when an asset is transferred to an entity for payment through sale, exchange, or investment-in-kind to a corporation. This book covers only capital gains tax on transfer of stocks or shares that frequently occur between foreign investors. Where the shareholder of a domestic company is a foreign company or a non-resident, the tax treaty between the relevant foreign country and Korea should be examined to determine whether income from transfer of stocks is taxed.

### ① Domestic tax laws

Where a foreign company or non-resident that is a shareholder of a domestic company transfers shares issued by a domestic company, income from transfer of stocks is taxable under domestic tax laws. However, where the stocks of a listed-company are transferred, income from such transfer shall not be taxed if less than 25% of its stakes were continuously owned in the year in which the date of transfer belongs and the preceding five years.

### ② Tax treaties

Under certain tax treaties, the country of residence of the shareholder has the rights to tax income from transfer of stocks while the income is not taxed in Korea, the country of source of income.

It is advised to check the tax treaty between Korea and the relevant country to check whether an income is taxable in Korea.

### ③ Tax filing process

Where an income is taxable under domestic tax laws and the country of source of income has the taxation rights under the relevant tax treaty, the withholding agent (i.e., the person paying income from transfer of shares) shall withhold and pay the lesser of 20% of either of the two: ①10% of the stock transfer price; and ② gains from transfer of stocks (sale price – acquisition price and sales expenses). However, where the acquisition price and sales cannot be confirmed, ① shall apply.

Where income from transfer of stocks is not taxed pursuant to the relevant tax treaty, the transferor of stocks shall submit an application for non-taxation or tax exemption to the payer of income, and the income payer shall submit the application to the head of the tax office having jurisdiction over the income payer until the 9th day of the month following the month in which the date of income payment belongs.

→ Application for non-taxation or tax exemption: Enforcement Rules of the Income Tax Act [attached Form 29-2 (2)]

## 05. Securities Transaction Tax

Securities transaction tax refers to tax imposed on the transfer value of share certificates, etc. where the ownership of share certificates or shares is transferred for value due to a contract or legal causes.

### ① Taxpayer and Tax Base

The taxpayer is the transferor of share certificates, etc., while the tax base is the transfer value.

### ② Reporting Deadline

The taxpayer shall file the tax within two months of the last day of the quarter to which the transfer date belongs. However, the tax for transfer of unlisted stocks shall be filed within two months of the last day of the half-year to which the transfer date belongs.

### ③ Tax Rate

The securities transaction tax rate (unlisted stocks) is 0.43%.

**INFORMATION**

**National Tax Service consulting**

- General consulting: 126 (workdays) 09:00-18:00
- English consulting: 1588-0560



# Local Tax

## 01. Taxable Objects and Payment Deadline

| Tax | Taxable Objects and Purpose | Payment Period and Deadline |
|---|---|---|
| Acquisition Tax | • Imposed on an individual who acquired real estate (land, buildings), vehicle, mechanical equipment*, aircraft, ship, standing timber, mining right, fishing right, golf course membership, riding club membership, condominium membership, sports complex membership, or yacht club membershipT | • Within 60 days of the date of acquisition |
| Registration and License Tax | • Classified into registration tax imposed on registration and filing for causes other than acquisition; and license tax imposed on authorization and permission | • Each year from Jan. 16 to 31 (for registration license tax for license)<br>• Registration license tax (for registration): Prior to the date of registration or filing<br>• Registration and license tax (for license): Prior to the date of receiving license certificate |
| Local Education Tax | • Imposed to secure financial resources for the enhancement of local education Finances required to improve the quality of local education | • Acquisition tax and tobacco consumption tax: By the payment deadline<br>• Residence tax (per capita), property tax, automobile tax (only on vehicles for non-business use): By the payment deadline |
| Residence Tax | • Per capita portion imposed on individuals or corporations; Pro rata property portion with tax base of total floor area of a place of business; Employee portion imposed on the total amount of wages paid to employees | • Per capita portion collection (Aug. 1 to 31)<br>• Pro rata property portion report and payment (Aug. 1 to 31)<br>• Employee portion: By the 10th day of the following month |
| Local Income Tax | • Individual local income tax according to the Income Tax Act; Corporate local income tax according to the Corporate Tax Act | • Corporate local tax: within 4 months of the last day of the business year<br>• Capital gains or global income tax: Report and payment at the same time as income tax (May 1-31 of the following year)<br>- Special collection: Report and pay by the 10th day of the month following the month to which the day for special collection belongs |
| Property Tax | • Imposed on land, buildings, housing, aircraft, ships<br>• Housing is a separate taxable object because its valuation includes attached land | • Regular portion<br>• Jul. (16-31): Half of housing portion and full payment for building<br>• Sep. (16-30): Half of housing portion and full payment for land<br>※ If the payable amount of the housing portion is or below KRW 200,000, the full amount shall be notified in July. |
| Automobile Tax | • Imposed on a vehicle registered or reported under the Motor Vehicle Management Act, and a dump truck or concrete mixer truck registered under the Construction Machinery Management Act, for possession and driving<br>• Annual tax amount for passenger automobiles differs depending on whether the vehicle is used for business purposes or not. | • Regular imposition: First period (Jun. 16-30) / Second period (Dec, 16-31)<br>• Non-regular imposition available on application for tax calculated on a daily basis for used cars<br>• Annual tax amount: Lump-sum payment (Jan., Mar., Jun., Sep.) / Payment in installments (Mar., Jun., Sep., Dec.) |

* Source: Local Tax Guide 2019, Korea Institution of Local Finance

* Mechanical equipment: Mechanical equipment refers to mechanical equipment used for construction works, freight loading and landing, and mining, as prescribed by ordinance of the Ministry of the Interior and Safety, as well as construction machinery stipulated under the Construction Machinery Management Act and mechanical equipment similar thereto.

→ Refer to the appendix for the relevant tax rate

## 02. Taxable Objects

### Tax Reduction and Exemption Based on the Restriction of Special Local Taxation Act

| Regulation | Contents | Tax items (Reduction rate, %) | | |
|---|---|---|---|---|
| | | Acquisition tax | Registration and license tax | Property tax |
| Article 45-2 | Reduction or exemption for research institutes, etc. | 100 | | 100 |
| Article 46 (1) | Reduction or exemption for research institute affiliated with an enterprise (mid-size) (Except for large-scale companies' institutes in an over-concentration limitation zone) | 35 | | 35 |
| Article 46 (2) | Reduction or exemption for research institute affiliated with an enterprise (Except for large companies' institutes in an over-concentration limitation zone) | 35 | | 35 |
| Article 46 (3) | Reduction or exemption for research institute affiliated with an enterprise | 60 | | 50 |
| Article 58 (1) | Reduction or exemption for venture businesses, etc. | 50 | | 50 |
| Article 58 (2) | Reduction or exemption for cluster venture businesses, etc. | Exemption of heavy tax | | Exemption of heavy tax |
| Article 58 (3) | Reduction or exemption for new technology-based business cluster | 50 | | 50 (3 years) |
| Article 58 (4) | Reduction or exemption for venture business development and promotion zone | 37.5 | | 37.5 |
| Article 58-2 (1) | Reduction or exemption for operator of knowledge-based industry centers (probation of 1 year for previous acquisition tax reduction) | 35 | | 37.5 |
| Article 58-2 (2) | Reduction or exemption for occupants in knowledge-based industry centers | 50 | | 37.5 |
| Article 58-3 | Reduction or exemption for real estate of small-and medium-size start-ups | 75 | 100 | 100/50 |
| Article 71 (1) | Reduction or exemption for operators in logistics complexes | 35 | | 35 |
| Article 71 (2) | Reduction or exemption for occupants in logistics complexes | 50 | | 35 |
| Article 75-2 (1) | Reduction or exemption for startups or businesses in enterprise city development zones | 50 | | 50 |
| Article 75-2 (1) 2 | Reduction or exemption for operators in enterprise city development zones | 50 | | 50 |
| Article 75-2 (1) 3 | Reduction or exemption for startups or businesses in regional development project zones | 50 | | 50 |
| Article 75-2 (1) 4 | Reduction or exemption for operators in regional development project zones | 50 | | 50 |
| Article 75-3 | Reduction or exemption for SMEs in industrial crisis zones | 50 | | 50 |
| Article 78 (4) a | Reduction or exemption for occupants (newly established) in industrial complexes | 50 | | 35-75 |
| Article 78 (4) b | Reduction or exemption for occupants (with substantial repair) in industrial complexes | 25 | | |
| Article 79 (1), (2) | Reduction or exemption for relocating corporations to provinces | 100 | 100 | 100/50 |
| Article 78-3 | Reduction/exemption of tax for foreign investment | 50 | | 50 |
| Article 80 (1) | Reduction or exemption for relocating factories to provinces | 100 | | 100/50 |

**INFORMATION**

**Local Tax ONE CALL Consulting Center**

- 1577-5700 (connected to the tax department in each local government)
- Website: www.wetax.go.kr

# Transfer Pricing Taxation

The transfer price tax system is applied when a resident, etc. pays a higher price than the arm's length price in an international transaction with a related party or transfers taxable income abroad at a lower price. The tax authorities protect their taxation rights and prevent international tax avoidance by denying transfer prices and taxing them at arm's length prices, whether or not there is an intention to avoid tax in international transactions.

## 01. Arm's Length Price

Arm's length price refers to a price that is applied or is considered to be applied to general transactions between a resident, domestic corporation, or domestic place of business, and a person other than an overseas special related party. The most reasonable method among the following shall apply for calculating arm's length price.

### Method of Arm's Length Price Calculation

| | |
|---|---|
| ① Comparable third party pricing method | ④ Profit sharing method |
| ② Resale price method | ⑤ Net profit margin method |
| ③ Cost addition method | ⑥ Other methods considered to be reasonable |

→ For details on how to calculate the arm's length price, please refer to Article 8 of the Adjustment of International Taxes Act

## 02. Tax Imposition Based on Arm's Length Price

When an entity reduces its taxable income by applying a higher or lower price than its arm's length price in a transaction with a related party, the taxing authority recalculates the taxable amount based on the arm's length price and imposes a tax on the transaction.

IN DETAIL

### Points to Consider when Making International Transactions

**① Penalty for Failure to Submit an International Transaction Statement**

If a person who is obliged to submit an international transaction statement does not submit all or part of an international transaction statement without a valid reason or submits it falsely, a fine of KRW 5 million will be levied on each overseas intercompany.

※ Article 100 (2) of the Enforcement Decree of the Adjustment of International Taxes Act

**② Administrative Fine against Non-compliance with Obligation to Submit Data**

The tax authorities may require the taxpayer to submit relevant data* such as missing forms or items, when submitting a corporate tax return within 60 days of the date of request for submission of the data by the tax authority. Failure to submit this information or submission of false information may result in a fine of up to KRW 100 million.

* Data: Statement of advance pricing agreements, statement of adjustment of apportionment of cost, statement of international transaction, statement of intra-group payment guarantee, condensed income statement of the overseas intercompany,transaction rice adjustment report, etc.

※ Related law: Article 60 (1) of the Adjustment of International Taxes Act



# Restriction of deduction of interest expenses

Under Korean tax laws, there are regulations that do not recognize interest expenses paid to overseas controlling shareholders, etc. that satisfy certain conditions as deductible expense in order to prevent tax evasion by using the difference in taxation on contribution and borrowings, and the difference between tax laws of Korea and other countries.

## 01. Thin Cap

When calculating corporate income, the interest paid for borrowings is deducted as expense while dividend for contributions is not recognized as deductible expense. In this regard, to reduce corporate tax when sourcing funds from shareholders, companies prefer borrowings to contributions. To prevent this, the thin capitalization rule does not recognize the interest for the amount in excess of a set borrowing ceiling as deductible expense.

Where the amount that a domestic company borrowed from an overseas controlling shareholder and the amount borrowed from a third party under a payment guarantee (including the guarantee of payment through provision of collateral, etc.) is over two times (six times for financial companies) the amount that the overseas controlling shareholder invested, the interest and discount price for the amount in excess of such amount shall not be included in the company's loss.

## 02. Restriction of Deduction of Interest Expenses that are Excessive Compared to Income

Where the net interest expenses for the amount that a domestic company (excluding finance & insurance businesses) borrowed from an overseas special related person exceeds 30% of the adjusted income amount, the amount in excess shall not be included in deductible expense.

① Net interest expense: The total amount of interest and discount expense paid for a domestic company's total borrowing from all overseas special related persons – The total amount of interest income that the domestic company collected from overseas special related persons
② Adjusted income: Income from the relevant business year + Depreciation + Net interest expense (①)

Where thin capitalization also applies, only the one in which the amount not included in deductible expense is higher shall apply. If the amount is the same in the two cases, thin capitalization shall apply for calculation of non-inclusion of deductible expense.

IN DETAIL

### Exclusion of Interest Paid to Foreign Controlling Shareholder from Deductible Expense

Details of tax adjustment on interest to be paid to foreign controlling stockholders are provided in Articles 22 through 26 of the Adjustment of International Taxes Act, available on the website of the Ministry of Government Legislation.

## 03. Restriction of inclusion of interest expense from hybrid financial products in deductible expense

### ① Summary

Among the interest and discount expense paid as part of transaction of a financial product between a domestic company (excluding finance and insurance business) and an overseas special related party which has both the characteristics of capital and debt, the amount that is not taxed due to non-inclusion in overseas' special related person's income in the country where the person is located.

In this case, the domestic company shall pay the amount of interest (①×②) for the corporate tax of the business year to which the last day of the "reasonable period" belongs.

① The difference in the corporate tax occurred by calculating the interest, etc. paid to the transaction counterpart originally calculated as deductible expense as profit in the business year
② Interest rate of 0.025% per day from the first day of the business year following the business year in which the amount was included in deductible expense to the last day of the business year in which the amount was included in income.

### ② Requirements for a hybrid financial product

A hybrid financial product is a financial product that has both the characteristics of debt and capital (e.g., participating bond) and satisfies both of the following conditions:

A. Korea: Pursuant to Korean tax laws, the financial product is considered debt, and the interest and discount paid to the foreign company that is an overseas special related party under the transaction of the relevant financial product is deemed interest expense.
B. Counterpart country: Pursuant to the country's tax laws, the financial product is considered capital, and the interest and discount paid by the domestic company is treated as dividend income.

### ③ Reasonable period

The period starting from the last day of the business year in which interest and discount are paid by the domestic company pursuant to transactions of a hybrid financial product to the last day of the business of the transaction counterpart commencing within 12 months of the aforementioned date.



# Tax Treaties

Tax treaty refers to any type of international agreement governed by international law, such as a treaty, convention, pact or note, which the Republic of Korea enters into with another state with respect to taxes on income, capital, and property or tax administration cooperation. Since tax treaties are international law, they establish a relationship between domestic tax law and international law, and thus have the following legal effects.

## 01. Characteristics of a Tax Treaty and its Major Functions

Tax treaties in Korea are for preventing double taxation and tax avoidance on taxable income, and regulate the scope of resident, the range of domestic place of business and taxable income, issues on the source country of income, and the upper limit of the tax rate (limited tax rate). Corporate tax, income tax, and local income tax are subject to a tax treaty while indirect taxes such as value-added tax or special consumption tax are excluded.

## 02. Status of Tax Treaty

Tax treaties have the same effect as domestic law, while in case of conflict between tax treaties and domestic tax laws, tax treaties take precedence over domestic tax laws. Taxes, however, cannot be levied on the basis of a tax treaty without provisions of the domestic tax law, nor can the tax burden on residents of another country be higher than the tax burden as prescribed by domestic tax law.

### INFORMATION

**Tax Treaty Counterparts (94 nations)**

Gabonese Republic, Greece, Republic of South Africa, Netherlands, Nepal, Norway, New Zealand, Denmark, Germany, Laos, Latvia, Russia, Romania, Luxembourg, Lithuania, Malaysia, Mexico, Morocco, Malta, Mongolia, United States of America, Myanmar, Kingdom of Bahrain, Bangladesh, Venezuela, Vietnam, Belgium, Belarus, Bulgaria, Brazil, Brunei Darussalam, Kingdom of Saudi Arabia, Republic of Serbia, Sri Lanka, Sweden, Switzerland, Spain, Slovakia, Slovenia, Singapore, United Arab Emirates, Iceland, Ireland, Azerbaijan, Albania, Algeria, Estonia, Republic of Ecuador, Federal Democratic Republic of Ethiopia, United Kingdom, Oman , Austria, Jordan, Uruguay, Uzbekistan, Ukraine, Iran, Israel, Egypt, Italy, India, Indonesia, Japan, Georgia, China, Czech Republic, Chile, Kazakhstan, Qatar, Cambodia, Canada, Republic of Kenya, Republic of Colombia, Kuwait, Croatia, Kyrgyzstan, Republic of Tajikistan, Thailand, Turkey, Turkmenistan, Tunisia, Panama, Pakistan, Papua New Guinea, Republic of Peru, Portugal, Poland, France, Fiji, Finland, Philippines, Hungary, Australia, Hong Kong

**Tax Treaties by Country**

**Website of National Tax Service**
https://www.nts.go.kr/ ▸ Resource ▸ Tax Law/Treaty ▸ Tax Treaty

**Website of National Tax Law Information System**
https://txsi.hometax.go.kr ▸ Law ▸ Tax Treaty (Korean website)

※ Note: Tax treaty revisions are noted in the last part of the provision and thus should be checked to determine whether revisions have been made.

## Limited Tax Rate [Taxation and withholding tax rate by each contracting state]

| Contracting State | Limited tax rate | | |
|---|---|---|---|
| | Interest | Dividend | Royalty |
| Gabonese Republic | 10% | Company owning 25% stake or more: 5% / Others: 15% | 10% |
| Greece | 8% | Company owning 25% stake or more: 5% / Others: 15% | 10% |
| Republic of South Africa | 10% | Company owning 25% stake or more: 5% / Other: 15% | 10% |
| Netherlands | Over 7 years: 10% / Others: 15% | Corporation holding over 25% of stocks: 10% / Others: 15% | Copyright: 15% / Others: 10% |
| Nepal | 10% | Company owning 25% stake or more: 5% / Company owning 10% stake or more: 10% / Other: 15% | 15% |
| Norway | 15% | 15% | Copyright: 15% / Other: 10% |
| New Zealand | 10% | 15% | 10% |
| Denmark | 15% | 15% | Industrial investment: 10% / Others: 15% |
| Germany | 10% | Company owning 25% stake or more: 5% / Others: 15% | Equipment : 2% / Others: 10% |
| Laos | 10% | Company owning 10% stake or more: 10% / Others: 15% | 5% |
| Latvia | 10% | Company owning 10% stake or more: 5% / Other: 10% | Industrial investment: 5% / Others: 10% |
| Russia | N/A | Company owning 30% stake or more: 5% / Others: 10% | 5% |
| Romania | 10% | Company owning 25% stake or more: 7% / Others: 10% | Patent, etc.: 7% / Others: 10% / Commission: 10% |
| Luxembourg | Bank: 5% / Other:10% | Company owning 10% stake or more: 10% / Others: 15% | Commercial information: 5% / Others: 10% |
| Lithuania | 10% | Company owning 25% stake or more: 5% / Others: 10% | Commercial information: 5% / Others: 10% |
| Malaysia | 15% | Company owning 25% stake or more: 10% / Others: 15% | Copyright: 10%, 15% / Others 10% |
| Mexico | Bank: 5% / Other:15% | Company owning 10% stake or more: 0% / Others: 15% | Royalty: 10% / Others: 15% |
| Morocco | 10% | Company owning 25% stake or more: 5% / Others: 10% | Copyright, etc.: 5% / Others: 10% |
| Malta | 10% | Company owning 25% stake or more: 5% / Others: 15% | 0% |
| Mongolia | 5% | 5% | 10% |
| United States of America | 12% | Company owning 10% stake or more: 10% / Others: 15% | Copyright: 10% / Others: 15% |
| Myanmar | 10% | 10% | Cost of information usage: 10% / Others: 15% |
| Kingdom of Bahrain | 5% | Company owning 25% stake or more: 5% / Others: 10% | 10% |
| Bangladesh | 10% | Company owning 10% stake or more: 10% / Other: 15% | 10% |
| Venezuela | Bank : 5% / Others : 10% | Company owning 10% stake or more: 5% / Others: 10% | Equipment: 5% / Others: 10% |
| Vietnam | 10% | 10% | Patent, etc.: 5% / Others: 15% |
| Belarus | 10% | Company owning 25% stake or more: 5% / Others: 15% | 5% |
| Belgium | 10% | 15% | 10% |
| Bulgaria | 10% | Company owning 15% stake or more: 5% / Others: 10% | 5% |
| Brazil | Loan for 7 years: 10% / Other: 15% | 10% | Trademark: 25% / Others: 10% |
| Brunei Darussalam | 10% | Company owning 25% stake or more: 5% / Others: 10% | 10% |
| Georgia | 10% | Company owning 10% stake or more: 5% / Others: 10% | 10% |

| Contracting State | Limited tax rate | | |
|---|---|---|---|
| | Interest | Dividend | Royalty |
| Czech Republic | 10% | Company owning 25% stake or more: 5% / Others: 10% | 10% |
| Kazakhstan | 10% | Company owning 10% stake or more: 5% / Others: 15% | Industrial equipment: 2% / Others: 10% |
| Canada | 10% | Company owning 25% stake or more: 5% / Others: 15% | 10% |
| Kuwait | 5% | 5% | 15% |
| Republic of Kenya | 12% | Company owning 25% stake or more: 8% / Others: 10% | 10% |
| Republic of Tajikistan | 8% | Company owning 25% stake or more: 5% / Others: 10% | 10% |
| Turkey | Over 2 years: 10% / Other: 15% | Company owning 25% stake or more: 15% / Others: 20% | 10% |
| Tunisia | 12% | 15% | 15% |
| Pakistan | 12.5% | Company owning 20% stake or more: 10% / Others: 12.5% | 10% |
| Republic of Peru | 15% | Company owning 25% stake or more: 10% / Others: 15% | 10% |
| Poland | 10% | Company owning 10% stake or more: 5% / Others: 10% | 5% |
| Fiji | 10% | Company owning 25% stake or more: 10% / Others: 15% | 10% |
| Philippines | Public issues: 10% / Other: 15% | Company owning 25% stake or more: 10% / Others: 25% | 10%, 15% |
| Australia | 15% | 15% | 15% |
| Kingdom of Saudi Arabia | 5% | Company owning 25% stake or more: 5% / Others: 10% | Equipment: 5% / Others: 10% |
| Republic of Serbia | 10% | Company owning 25% stake or more: 5% / Others: 10% | Copyright: 5% / Others: 10% |
| Sri Lanka | 10% | Company owning 25% stake or more: 10% / Others: 15% | 10% |
| Switzerland | Bank: 5% / Others: 10% | Company owning 25% stake or more: 5% / Others: 15% | 5% |
| Sweden | Loan for 7 years: 10% / Other: 15% | Company owning 25% stake or more: 10% / Others: 15% | Copyright: 15% / Others: 10% |
| Spain | 10% | Company owning 25% stake or more: 10% / Others: 15% | 10% |
| Slovakia | 10% | Company owning 25% stake or more: 5% / Others: 10% | Copyright: 0% / Others: 10% |
| Slovenia | 5% | Company owning 25% stake or more: 5% / Others: 15% | 5% |
| Singapore | 10% | Company owning 25% stake or more: 10% Others: 15%__ | 15% |
| United Arab Emirates | 10% | Company owning 10% stake or more: 5% / Others: 10% | 0% |
| Iceland | 10% | Company owning 25% stake or more: 5% / Others: 15% | 10% |
| Ireland | 0% | Company owning 10% stake or more: 10% / Others: 15% | 0% |
| Azerbaijan | 10% | 7% | Industrial investment: 5% / Others: 10% |
| Albania | 10% | Company owning 25% stake or more: 5% / Others: 10% | 10% |
| Algeria | 10% | Company owning 25% stake or more: 5% / Others: 15% | Equipment: 2% / Others: 10% |
| Estonia | 10% | Company owning 25% stake or more: 5% / Others: 10% | Equipment: 5% /Others: 10% |
| Federal Democratic Republic of Ethiopia | 7.5% | Company owning 25% stake or more: 5% / Others: 8% | 5% |

| Contracting State | Limited tax rate | | |
|---|---|---|---|
| | Interest | Dividend | Royalty |
| Republic of Ecuador | 12% | Company owning 10% stake or more: 5% / Others: 10% | Equipment: 5% / Others: 12% |
| United Kingdom | 10% | Company owning 25% stake or more: 5% / Others: 15% | Equipment: 2% / Others: 10% |
| Oman | 5% | Company owning 10% stake or more: 5% / Others: 10% | 8% |
| Austria | 10% | Company owning 25% stake or more: 5% / Others: 15% | Equipment: 2% / Others: 10% |
| Jordan | 10% | 10% | 10% |
| Uruguay | 10% | Company owning 25% stake or more: 5% / Others: 15% | 10% |
| Uzbekistan | 5% | Company owning 25% stake or more: 5% / Others: 15% | Equipment: 2% / Others: 5% |
| Ukraine | 5% | Company owning 20% stake or more: 5% / Others: 15% | 5 |
| Iran | 10% | 10% | 10% |
| Israel | Bank: 7.5% / Other: 10% | Company owning 10% stake or more: 5%, 10% / Others: 15% | Equipment: 2% / Others: 5% |
| Egypt | Over 3 years: 10% / Other: 15% | Company owning 25% stake or more: 10% / Others: 15% | 15% |
| Italy | 10% | Company owning 25% stake or more: 10% / Others: 15% | 10% |
| India | 10% | 15% | 10% |
| Indonesia | 10% | Company owning 25% stake or more: 10% / Others: 15% | 15% |
| Japan | 10% | Company owning 25% stake or more: 5% / Others: 15% | 10% |
| China | 10% | Company owning 25% stake or more: 5% / Others: 10% | 10% |
| Chile | Bank: 4% / Stock market bond: 5% / Others: 15% | Company owning 25% stake or more: 5% / Others: 10% | Equipment: 2% / Others: 10% |
| Qatar | 10% | 10% | 5% |
| Cambodia | 10% | 10% | 10% |
| Colombia | 10% | Company owning 20% stake or more: 5% / Others: 15% | 10% |
| Croatia | 5% | Company owning 25% stake or more: 5% / Others: 10% | 0% |
| Kyrgyzstan | 10% | Company owning 25% stake or more: 5% / Others: 10% | 5%, 10% |
| Thailand | Bank: 10% / Other15% | 10% | Software: 5% / Patent: 10% / Industrial equipment: 15% |
| Turkmenistan | 10% | 10% | 10% |
| Panama | 5% | Company owning 25% stake or more: 5% / Others: 15% | Equipment: 3% / Others: 10% |
| Papua New Guinea | 10% | 15% | 10% |
| Portugal | 15% | Company owning 25% stake or more: 10% / Others: 15% | 10% |
| France | 10% | Company owning 10% stake or more: 10% / Others: 15% | 10% |
| Finland | 10% | Corporation holding over 25% of stocks: 10% / Others: 15% | 10% |
| Hungary | 0% | Company owning 25% stake or more: 5% / Others: 10% | 0% |
| Hong Kong | 10% | Company owning 25% stake or more: 10% / Others: 15% | 10% |

* Original statements must be checked before actual application of taxation. (National Tax Service www.nts.go.kr Resources - Tax treaty)
* No tax treaty exists with Taiwan or Macao.
* Residence tax is additionally imposed in the United States, the Philippines, and the Republic of South Africa.

## Frequently Asked Question & Answer

### Q 01 What is the ceiling and scope of entertainment expenses which can be included as deductible expenses?

Entertainment expense refers to the expenses spent for entertainment, society, compensation, or other expenses of a similar nature, and means the amount spent by a domestic corporation to facilitate work with those who are directly or indirectly involved with their business. The ceiling of entertainment expenses is as follows.

Ceiling = KRW 12 million (KRW 36 million for small and medium size enterprises) x the number of months in the business year / 12 + amount of income x rate

| Amount of income | Rate |
|---|---|
| KRW 10 billion or less | Total amount of income x 0.3% |
| Over KRW 10 billion not over KRW 50 billion | KRW 30 million + (Amount over KRW 10 billion x 0.2%) |
| Over KRW 50 billion | KRW 110 million + (Amount over KRW 50 billion x 0.03%) |

Evidentiary documents of entertainment expenses: Proof of eligibility is included in the tax invoice, cash receipt, and corporate credit card (including a company card in an employee's name). Expenses incurred in excess of KRW 10,000 using cash or personal cards are not recognized as deductibles, although in the case of expenses for congratulations and condolences, a wedding invitation, etc., is eligible for a limit of KRW 200,000 per expenditure.

### Q 02 How are non-residents' capital gains on domestic-source securities taxed?

In principle, 10% of the amount shall be filed and paid. However, when the acquisition value and transfer expenses of the securities can be confirmed, the payable tax amount shall be the lesser of the following:

① Paid amount x 10%
② (Gross income - acquisition value and transfer expenses) x 20%

### Q 03 Is the scope of payment guarantee for overseas controlling shareholders applicable to thin capitalization only when a payment guarantee is issued to a third party?

The scope of payment guarantee for foreign shareholders applicable to thin capitalization includes all forms of payment guarantee which requires the overseas controlling shareholders to fulfill their payment obligations if a domestic company, etc. defaults on an obligation, regardless of whether there is a certificate of payment guarantee, the type of payment guarantee or the method of payment guarantee.

### Q 04 If a domestic place of business borrows interest-free loan from the controlling shareholder, is it subject to thin cap?

A loan without interest or discount fees is excluded from thin cap.

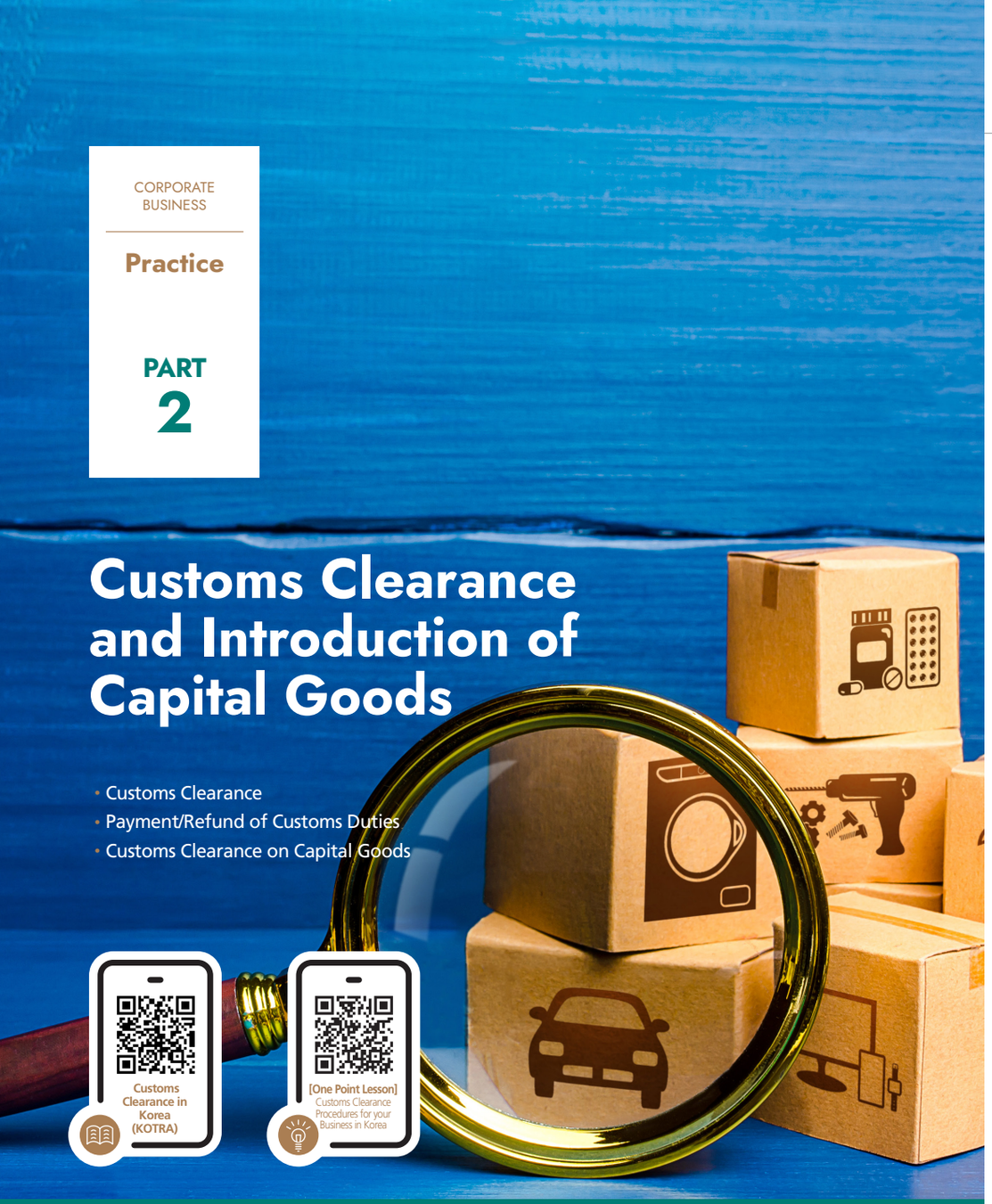
CORPORATE BUSINESS

Practice

PART 2

# Customs Clearance and Introduction of Capital Goods

- Customs Clearance
- Payment/Refund of Customs Duties
- Customs Clearance on Capital Goods



Customs Clearance in Korea (KOTRA)

[One Point Lesson] Customs Clearance Procedures for your Business in Korea

Customs clearance refers to the import, export, or return of goods pursuant to the procedures prescribed by the Customs Act. Import clearance refers to a series of customs processes including import declaration to a customs director, acceptance of the declaration by the director with its lawfulness, issuance of the certificate of import declaration, and shipping of the imported goods. Meanwhile, export clearance refers to the process of declaring the export of goods to customs and accepting permission of export and loading cargo. Return refers to the sending back of goods carried into Korea without import declaration to the country from where they were sent, with its processes called return clearance.



## Customs Clearance Procedures

**Goods carried in (Bonded area)**
Goods from abroad shall be carried into a bonded area upon arrival.

**Preparation of requirements (Importing shipper)**
The importing shipper must prepare and file for clearance requirements, tax rate recommendation, and tax exemption recommendation.

**Import declaration (Declaring party)**
The declaring party must prepare the import declaration application and send it through the clearance system.

**Processing application (Customs)**
Customs shall conduct an inspection of the goods and documents via screen and register them for approval.

**Advance payment of customs duty, etc**
The importing shipper shall pay customs fees when post-payment is not required.

**Acceptance of declaration (Customs clearance system)**
Customs clearance shall be accepted automatically when the payment and security is settled. Customs shall notify the details of the acceptance to the declaring party and cargo system.

**Delivery of goods (Bonded area)**
Goods can be delivered following confirmation of the acceptance of the import declaration.

**Acceptance of declaration (Customs clearance system)**
Customs clearance shall be accepted automatically when the payment and security is settled. Customs shall notify the details of the acceptance to the declaring party and cargo system.

**Delivery of goods (Bonded area)**
Goods can be delivered following confirmation of the acceptance of the import declaration.

**Post-payment of customs duty, etc.**
The importing shipper must pay tax duties within 15 days following the acceptance of the import declaration.

# Customs Clearance

## 01. Customs Clearance Procedures

### ① Import Clearance

In order to export, import, or return goods, the name, standard, quantity, and price of such goods and other matters prescribed by the relevant regulations must be reported to the head of a customs office. The declaration of imports can only be made after the vessel (aircraft) loaded with the goods has arrived, but the import declaration can be made before arrival when the goods to be imported need to be cleared promptly. Goods that have been declared for import before arrival shall be deemed to have arrived in Korea.

* Import declaration period: Before the vessel departs, enters the port, and after the vessel enters the port and the goods arrive at the bonded area, and after they arrive at the bonded area, an import declaration is made to the head of the customs office.

### ② Documents for Import Declaration

The importer shall request an import declaration by submitting the invoice, bill of lading, packing list, certificate of origin, and documents confirming other import requirements. However, the requested declarant shall submit the documents when customs require the submission of documents for customs clearance, but otherwise, they shall be kept on their own.

* The Korea Customs Service has established a system to transmit the required documents for import declaration to be submitted to customs in electronic form or via electronic images.

### ③ Import Declaration

Import declaration is undertaken according to the method of screening, document screening, and inspection of goods, etc. When the import declaration is made legally, the report is immediately accepted. However, if the items listed in the declaration are not sufficient, a supplemental import declaration or customs clearance may be requested.

### ④ Inspection of Imported Goods

This inspection refers to whether the goods declared for import conform to the import declaration and whether they violate any regulations set by relevant laws and regulations through in-kind inspection. The inspection ratio may be applied differentially in consideration of compliance with regulations of importing companies, inspection performance, origin, etc., while the inspection method may be extractive inspection, total inspection, or via analysis depending on the inspection object. The importer shall bear the cost of inspecting the imported goods.

### ⑤ Issuance of Certificate of Import Declaration

When the customs officer accepts the import declaration, a declaration certificate electronically stamped by the Customs Special Officer shall be issued to the declarant.

**★ DOCUMENTS**

**When declaring import**

- Invoice. A contract is acceptable when the invoice has not arrived.
  (The invoice must be submitted when a confirmed price is declared.)
- Price declaration report (only when required)
- Copy of Bill of Lading (B/L) or Airway Bill (AWB)
  (excluded when electric submission is possible)
- Packing list
  (The name or standard of goods and the quantity must be stated on each box. This is not necessary if a customs director deems it unnecessary or if the documents are submitted electronically.)
- Certificate of origin (only for required goods)
- Required documents for examination, quarantine, permission and recommendation (when checking via an electronic database is not possible)
- Customs duty reduction (payment in installments)
- Application for specific use duty rate (only for applicable goods)
- Agreement to apply tax rate
- Local tax payment security certificate (applicable goods only)
- Kimberly Process Certificate (limited to diamond ore)
- Certification of quota tariff, tariff concessions, and certificate of tax rate recommendation, or tax rate on breeding of fish and livestock
  (only when it is impossible to check via electronic database)

**INFORMATION**

**How to Look up Specific Product Regulations and Tariff Rates**

**(Product specific rule in FTAs) Korea Customs Service Total Solution Yes FTA**
http://www.customs.go.kr
FTA ▸ Preference Criterion (PSR) ▸ Search HS code

**(Tariff rate for HS code in FTAs) Korea Customs Service Total Solution Yes FTA**
http://www.customs.go.kr
FTA ▸ Preferential Tariff rate ▸ Search HS code

## 02. Internet Portal for Customs Clearance (UNI·PASS)

UNI·PASS is an online system that handles all customs clearance procedures such as customs declaration, payment of taxes, and application requirements needed by individuals and businesses when exporting or importing.

* UNI·PASS: unipass.customs.go.kr

### ① Services

The primary services of UNI·PASS include electronic declaration, electronic payment, information check, and providing a personal customs clearance code.

| Service | Contents |
|---|---|
| Electronic declaration | Reports for import and export declaration or applying for a refund can be done online and checked afterwards. Customs documents can also be printed out. |
| Electronic payment | Following the import declaration, customs duties can be paid and processing details checked. |
| Information check | It is possible to check customs information, regulatory compliance, and customs codes required for administrative tasks related to customs. |
| Unique customs clearance code | It is possible to issue a personal customs clearance code used to report imports of personal goods and to inquire about it. |

### ② Application Procedure

To use the UNI·PASS system, it is necessary to receive the approval of customs. The applicant must apply for and obtain a certificate from an accredited certification body and then join the system via the user registration menu. Then the officer in charge will approve the use of UNI·PASS after the confirmation of the application.

※ Related law: Notification of the Use and Operation of Customs UNI·PASS (Notification No. 2021-40 of the Korea Customs Service, Mar. 30, 2021)

### ③ How to Use

UNI·PASS provides two types of services regarding the declaration method: application via a website; or application by PC and submitting to UNI·PASS all documents using the software to transmit several cases. The latter is useful when processing large amounts of data or when there are many applications.

Browsers : Internet Explorer, Chrome, Safari, FireFox

#### Processing through UNI·PASS

| | |
|---|---|
| 01 Login UNI·PASS | https://unipass.customs.go.kr |
| 02 Prepare the Declaration Form | • Electronic declaration > Declaration form<br>• After selecting the declaration form, log in using digital certification and complete the declaration. |
| 03 Check and Transmit Declaration | Review and submit the declaration |
| 04 Check the Status of Processing | Check the status of processing (receipts, errors, approval, and acceptance) |
| 05 Check Notification of Errors | In the event of errors in the application, check, revise and resubmit. |
| 06 Submit Attachments | • Submit additional or supplemental documents when required by Customs.<br>• Submit documents in person or use the [post-submission of attached documents] |
| 07 Acceptance of Declaration | Officer in charge shall examine the declaration and approve it. |
| 08 Issuance of Certificate of Completion of Import Declaration | Print the certificate of completion of approved import declaration |

INFORMATION

**UNIPASS Consulting**

**UNI·PASS Technical Support Center**
• TEL: 1544-1285
(Providing consulting and service guidance related to UNI·PASS data processing (import and export clearance, cargo, refunds, etc.))

**Customs administration matter**
• TEL: 125 (General consulting on customs duties: 20, foreigners: 40)
Providing consultation regarding customs processes, classification of items, and related customs laws

# Payment/ Refund of Customs Duties

Generally, tariffs are imposed on imported goods to secure tax revenue and foster domestic industries. However, there is a tariff refund system which exempts some or all tariffs for certain policy purposes and returns the tariffs paid to the exporter or producer of exported goods when importing raw materials for export.

## 01. Payment of Customs Duty

As tariffs on imported goods are to be reported and paid, the taxpayer must declare the tax base and tax rate on imported goods and pay the customs duties before or after the filing of the import declaration. On the other hand, as an exception to the declaration and payment system, there is a charge that the customs office establishes and announces the amount of tax paid on a traveler's goods hand-carried into the country. Customs duties can be paid by visiting a bank/financial institution (national treasury) or via Internet banking. It is also possible to pay by credit card through the customs agency's payment website.

**INFORMATION**

**Contact for inquiry on credit card payment: Cardrotax**

**Korea Financial Telecommunications & Clearings Institute**
- TEL: 1577-5500

http://cardrotax.or.kr

(Commission for payment by proxy shall be paid by taxpayer: 0.8% of the payable amount)

## 02. Customs Duty Reduction and Exemption

There are two types of customs duty reduction: unconditional reduction of and/or exemption from taxes based on specific facts; and conditional customs duty reduction and exemption in which customs duty is reduced or exempted based on condition of specific usage. In principle, the Customs Act stipulates customs reduction and exemption, although customs duty may be reduced or exempted according to the Foreign Investment Promotion Act, the Restriction of Special Taxation Act, the Submarine Mineral Resources Development Act, as well as multilateral and bilateral agreements.

## 03. Customs Duty Refund

Customs duty refund is a system for returning customs duties collected when importing raw materials for export to exporters or producers when exporting them as processed products. In this case, processing and export of the raw materials must be done within two years of the import of the raw materials.



# Customs Clearance on Capital Goods

When foreign investors expect a customs duty exemption on invested capital goods or when an in-kind investment of capital goods is made, customs clearance should be made following the review and confirmation of the specifications of the imported capital goods.

**Customs Clearance Procedures for Capital Goods**

01 **Notification of foreign investment** [KOTRA foreign exchange bank]
02 **Confirmation of specification of imported capital goods** [place where notification was first filed]
03 **Import clearance** [Korea Customs Service]
04 **Confirmation of completion of in-kind investment** [Korea Customs Service officer dispatched to KOTRA]
05 **Registration of establishment or capital increase** [Registry office]
06 **Registration of foreign-invested company** [KOTRA foreign exchange bank]

## 01. Confirmation of Specification of Imported Capital Goods

An application for confirmation of specification of imported capital goods must be made at either a foreign exchange bank or KOTRA following notification of the foreign investment. The following must be confirmed:
- Capital goods exempted from customs duty, individual consumption tax, and value added tax
- Capital goods imported by a foreign investor for investment purposes
- Capital goods introduced into the Republic of Korea by a foreign-invested company with a means of foreign payment contributed by a foreign investor or a means of domestic payment obtained by the exchange of the said means of foreign payment, among the goods designated and publicly notified by the minister of Trade, Industry and Energy

※ Related law: Article 38 of the Enforcement Decree of the Foreign Investment Promotion Act
※ Definition of capital goods: Article 2 (1) 8 of the Foreign Investment Promotion Act

## 02. Deadline of Application for Confirmation

A specification of imported capital goods including the quantity, standard, price, and producer of the goods should be prepared and an application for confirmation should be filed before the acceptance of import declaration.

## 03. Confirmation of Completion of Investment in Kind

For capital goods imported for investment purposes must a confirmation of completion of investment in kind must be obtained from the Korea Customs Service officer dispatched to KOTRA, while registration of incorporation and registration of foreign-invested company shall be made.

**★ DOCUMENTS**

Confirmation of specification of imported capital goods
- Three copies of the application for confirmation of specification of imported capital goods (attached Form 24 of the Enforcement Rules of the Foreign Investment Promotion Act)
- Documents verifying the prices thereof, such as an affirmation document of sale of goods

※ Related law: Article 23 of the Enforcement Rules of the Foreign Investment Promotion Act

**Confirmation of completion of investment in kind**
- Two copies of application for confirmation of completion of investment in kind (attached Form 25 of the Enforcement Rules of the Foreign Investment Promotion Act)
- Copy of certificate of completion of import declaration (Not required when the applicant cnsents to the use of administrative information to check the certificate.)

※ Related law: Article 24 (1) and (2) of the Enforcement Rules of the Foreign Investment Promotion Act

CORPORATE BUSINESS

Practice

PART 3

# HR and labor

- Labor Contract
- Wages
- Work Hours
- Holidays and Days-off
- Four Major Insurances
- Retirement Allowance
- Dismissal
- Rules of Employment
- Protection of Pregnant Women
- Work-Family Balance Assistance
- Safety and Health
- Irregular Workers
- Prohibition of Workplace Harassment
- Collective Labor-Management Relations

Labor Laws in Korea 2022 (KOTRA)

[One Point Lesson] 52 hour workweek for your Business in Kore

Competent workers and smooth labor-management relations are the key to the success of foreign-invested companies. Labor-related laws in Korea guarantee workers' humane lives and promote substantial equality between workers and employers. When hiring workers, a contract shall be drawn up to set out matters concerning wages, working hours, holidays and leave, termination, etc., and the four major insurances, severance payment, etc., should be guaranteed, thus fulfilling the employer's duty for safety and preservation during the working period. Recently, the government has been working to improve Korea's long work hours through a revision of the law on working hours in order to ensure workers' work-life balance, protect non-regular workers, and ban harassment at work.



## Labor Contract

A labor contract must precisely determine key working conditions, such as wages and working hours, and is essential for the protection of the rights of both employee and employer.

### 01. Stated Matters

The labor contract must contain wages, work hours, holidays, annual paid leaves, work, retirement allowance, etc. A standard labor contract is provided on the website of the Ministry of Employment and Labor.

### 02. Employees on Probation

Probationary employment is a type of work that is intended to develop the working skills or adaptability of a new employee who has formally signed a labor contract. The Labor Standards Act applies to employees on probation and as such, there must be justifiable cause where an employer intends to dismiss the employee.

※ Related law: Article 5 (2) of the Minimum Wage Act, Article 3 of the Enforcement Decree of the Act

IN DETAIL

**Prohibitions on Requiring Applicants' Personal Information (region of origin, etc.)**

Amended Article 4-3 of the Fair Hiring Procedure Act

A company that employs 30 or more workers on a permanent basis is prohibited from requiring a job-seeker to provide evidence of the following information that is not required for its job performance at the time of employment (signed into enforcement on Jul. 2019).

- Physical condition (appearance, height, weight, etc.)
- Job-seeker's region of origin, marital status, and property ownership
- Educational background, occupation, and property ownership of the jobseeker's parents, children, and siblings

## Wages

Wages refers to wages, salary, and any other kinds of money or valuables, regardless of how it is referred to, which the employer pays to an employee as remuneration for work under the Labor Standards Act, the Wage Claim Guarantee Act, and the Minimum Wage Act. The minimum wage set by the Labor Ministry applicable in 2022 is KRW 9,160 per hour or KRW 1,914,440 a month when a total 209 hours are worked per month.

### 01. Payment

Payment of wages shall be directly made in full to employees in currency. If otherwise prescribed by statutes or by a collective agreement, wages may partially be deducted or may be paid by means other than currency.

### 02. Date of Payment

Wages shall be paid at least once per month on a fixed day. This shall not apply to extraordinary wages, allowances, other similar payments, or those wages prescribed by Presidential Decree. An employer shall pay wages corresponding to work already offered even prior to the payday if an employee requests the employer to do so in order to cover expenses for childbirth, diseases, disasters, or other cases of emergency (marriage, death, returning home for at least one week due to unavoidable circumstances) as prescribed by Presidential Decree.

### 03. Overtime Work, Night Work, and Holiday Allowance

Employers shall pay 50% or more of the ordinary wage by adding 50% or more of the ordinary wage for overtime work and an additional 50% of the ordinary wage for night work (work between 10 p.m. and 6 a.m. of the next day). For holiday work, employers shall pay 50% of the ordinary wage for work of eight hours or less and 100% or more of the ordinary wage if it exceeds eight hours.



## Work Hours

Work hours shall not exceed 40 hours a week and eight hours a day, excluding hours of recess. Upon calculating the work hours, any waiting time, etc., spent by employees under the direction and supervision of their employers that is necessary for the relevant work shall be deemed work hours.

### 01. Maximum Limit on Overtime Work

Under the Labor Standards Act revised in March 2018, companies that employ 300 workers or more can extend their working hours by up to 12 hours per week from July 2018, which makes the maximum weekly work hours 52 hours. From January 1, 2020, it is applied to companies with 50 or more employees, and to companies with five or more employees from July 1, 2021. From July 1, 2021 to December 31, 2022, where an employer who regularly employs less than 30 full-time employees makes a written agreement with the labor representative, he/she may extend work hours up to eight hours per week, in addition to the work hours extended as above.

### 02. Hours of Recess

An employer shall allow employees a recess of not less than 30 minutes in cases of working for four hours, or a recess of not less than one hour in cases of working for eight hours, during work hours.

### 03. Flexible Work Hours System

It is a system for flexible operation of decision-making and arrangement of working hours, which can allocate work hours according to the amount of work or left to the choice of workers to operate them flexibly and efficiently.

| Work Hours System | Details |
|---|---|
| Flexible work hours system | To observe the statutory average work hours for a certain period of time, the work hours of a certain day are extended while the work hours of another day are reduced. |
| Selective work hours system | Workers set their working hours including overtime work freely for a period within one month (three months), with the weekly work hours not exceeding an average of 52 hours per week. |
| Deemed hours of work outside the workplace | When it is difficult to calculate the work hours provided by an employee because he/she carried out all or part of his/her duty outside the workplace owing to a business trip or any other reason, it shall be deemed that he/she has worked for contractual work hours. |
| Discretionary work hours system | In the case of work designated by Presidential Decree which requires leaving the methods of performing work to an employee's discretion due to the nature of the work, it shall be deemed that the work has been provided for such work hours as determined by a written agreement between the employer and the labor representative. |
| Compensatory leave system | An employer may grant employee leaves in lieu of wage payments for extended work, night work, or holiday work pursuant to Article 56 of the Labor Standards Act according to a written agreement that is concluded between him/her and the labor representative. |

※ Related law: Articles 51, 52, 57 and 58 of the Labor Standards Act

# Holidays and Days-off

## 01. Day-off

An employer shall guarantee an employee who has continuously worked for certain working days at least one paid holiday per week on average and also guarantee holidays as prescribed by Presidential Decree as paid holidays. However, where he/she makes a written agreement with the labor representative, such paid holidays may be substituted with particular working days.

## 02. Public Holidays

The regulations on public holidays apply to those who employ five or more full-time workers. Under the Enforcement Decree of the Labor Standards Act amended on June 29, 2018, private companies are also required to grant paid holidays and substitute public holidays under the Regulations on Holidays of Government Offices. The regulations will go into effect on January, 2020 for companies with 300 or more employees and public institutions, January 1, 2012 for companies with 30 to less than 300 employees, and January 1, 2022 for companies with five to less than 30 employees.

## 03. Statutory Annual Paid Leave

Every employer shall grant any employee who has worked not less than 80% of one year a paid leave of 15 days in the next year. The paid leave days are calculated thereafter by adding one day for every two continuously working years not including the first one year to the 15 paid leave days. In this case, the total number of paid leave days, including the additional paid leave days, shall not exceed 25 days. Every employer shall grant any employee who has continuously worked for less than one year one paid leave day for each month during which he/she has continuously worked. Every employee has the right to claim wages as a substitute for unused annual leave days and it is the imprescriptible right even if the right of claim for annual leave terminates. Where any employee's paid leave is terminated by time limitation because the employee fails to take his/her paid leave although the relevant employer has taken the measures falling to urge employees to take their respective annual leave, the relevant employer is not liable to indemnify the employee for his/her failure to take the paid leave.

# Four Major Insurances

The four major insurances are employment insurance, industrial accidental compensation insurance, national pension and national health insurance (as of 2021).

### Contribution Rates

(as of 2021)

| | Employment insurance | Industrial accidental compensation insurance | National pension | National Health insurance |
|---|---|---|---|---|
| Employee | 0.8% of the total pay | N/A | 4.5% of the standard monthly income | 3.43% of the standard monthly wage |
| Employer | | Depends on the type of business | | |

Long-term health care insurance premium is 10.25% of health insurance premium, and is collected with national health insurance. In the case of employment stabilization occupational ability development business, the employer pays 0.25 to 0.85% of the total pay, depending on the number of employees.

* Contribution rate of industrial accidental compensation insurance: Refer to website of the Ministry of Employment and Labor www.moel.go.kr

IN DETAIL

### Obligation of Foreign Employees to Subscribe to the Four Major Insurances

Foreign employees must subscribe to national health insurance (application for exclusion from subscription can be filed if certain requirements are met) and industrial accident compensation insurance, as is the case of their Korean counterparts, while employment insurance can be subscribed to arbitrarily, depending on residency qualifications and nationality. Subscription to national pension varies by nationality, depending on reciprocity.

# Retirement Allowance

## 01. Retirement

### ① Settlement of Payments

When an employee dies or retires, the employer shall pay wages, compensation, and other money or valuables within 14 days of the day on which the cause of such payment occurred.

### ② Issuance of Certificate of Employment

Whenever an employer is requested by an employee to issue a certificate specifying the terms of employment, the kind of work performed, positions taken, wages received, and other necessary information, he/she shall immediately prepare and deliver a certificate based on facts, even after the retirement of the employee. The certificate shall contain nothing other than what has been requested by the employee.

## 02. Severance Pay System

### ① Types

Severance pay refers to an annuity or lump sum paid to workers who provided consecutive service during a number of years. There are two types of retirement pension reserves-severance pay and retirement pension plan.

### ② Severance Pay System

It is a system established to pay a retiring worker a pro-rated amount equivalent to or more than the average wage earned for 30 days for each year of his/her continuous service by his/her employer.

### ③ Retirement Pension Plan

The defined benefit retirement pension system (DB), defined contribution retirement pension system (DC) and personal retirement pension (IRP) are defined as a system in which the user reserves the funds of retirement benefits to outside financial institutions and pays the reserve as pension or a lump sum upon retirement. When subscribing to a retirement pension, the employee can safely receive the severance pay without fear of defaulting after leaving the company, and the user can save tax because the paid reserves are recognized as deductible expenses under the Corporate Tax Act.

- Defined Benefit Plan (DB): Retirement benefits shall be multiplied by the length of time (years of service) in which the work is provided in excess of the average wage of 30 days per year. The level of retirement benefits to employees will be determined in advance.
- Defined Contribution Plan (DC): A twelfth of a subscriber's annual wages or more should be paid as contribution to the subscriber's account. The contribution of the employer is determined in advance.
- Individual Retirement Pension (IRP): This is a retirement pension plan established to accumulate and operate the lump sum paid by a participant or the contributions paid by an employer or a participant according to the participant's choice in which the amount of the benefits or contributions is not predetermined.

IN DETAIL

### Introduction of the Retirement Pension System

An employer is required to set a retirement pension plan within one year of the establishment of the business; otherwise, such employer shall be deemed to have established a retirement allowance system. There is no punishment regulation for not setting up a retirement pension plan, however, the employer who fails to pay retirement benefit or retirement allowance shall be punished by imprisonment for not more than three years or by a fine not exceeding KRW 20 million.

※ Article 5, 11 of the Act on the Guarantee of Employees' Retirement Benefits

## Dismissal

### 01. Justification of Dismissal

Dismissal refers to the termination of a working relationship against the will of an employee. An employer shall not, without justifiable cause, dismiss, lay off, suspend, or transfer an employee, reduce his/her wages, or take other punitive measures against him/her.

**① Disciplinary Dismissal**

This refers to the termination of working relationship in a disciplinary form where employer and employee cannot continue to maintain their working relationship. The institution comprehensively evaluates various circumstances, including disciplinary purposes, business characteristics, workers' duty, non-compliance, and their impact on the corporate order.

**② Dismissal for Managerial Reasons**

This refers to the termination of a working relationship based on urgent managerial needs in order to maintain the existence of a company for management. An employer shall make every effort to avoid dismissal and shall establish and follow reasonable and fair criteria for the selection of those persons subject to dismissal and inform them at least 50 days before the intended date of dismissal and consult in good faith with the labor union.

### 02. Advance Notice of Dismissal

When an employer intends to dismiss an employee (including dismissal for managerial reasons), he/she shall give the employee a notice of dismissal at least thirty days in advance of such dismissal. If the employer fails to give such advance notice, he/she shall pay such employee a minimum of 30 days' ordinary wage.

### 03. Written Notice for Dismissal

When an employer intends to dismiss an employee, the dismissal shall become effective only upon a written notice of grounds and timing for the dismissal.

### 04. Restriction on Dismissal

An employer shall not dismiss an employee during a period of suspension of work for medical treatment of an occupational injury or disease and within 30 days immediately thereafter. No woman shall be dismissed before or after childbirth during a period of suspension of work guaranteed by law and for 30 days immediately thereafter.



## Rules of Employment

### 01. Preparation and Report of Rules of Employment

An employer employing 10 full-time employees or more should prepare and report the rules of employment to the Minister of Employment and Labor, and should also make a report when the rules are altered.

### 02. Matters to Include in the Rules of Employment

- Matters pertaining to the beginning and ending time of work, recess hours, holidays, leaves, and shifts
- Matters pertaining to the determination, calculation and payment method of wages, the period for which wages are calculated, the period for paying wages, and pay raises
- Matters pertaining to the methods of calculation and payment of family allowances
- Matters pertaining to retirement / Matters, etc. pertaining to retirement benefits, bonuses, and minimum wages

※Related law: Article 93 of the Labor Standards Act

### 03. Amendment of Rules

An employer shall, with regard to the alteration of the rules of employment, hear the opinion of a labor union if there is such a labor union composed of the majority of the employees, or otherwise hear the opinion of the majority of said employees if there is no labor union composed of the majority of the employees. When amending the rules of employment unfavorably to employees, the employer shall obtain their consent thereto.

### 04. Effect of Violation

If a labor contract includes any term or condition of employment which falls short of the standards of labor as provided for in the rules of employment, such part shall be considered null and void. In this case, the invalidated part shall be governed by the standards provided for in the rules of employment.

## Protection of Pregnant Women

### 01. Maternity Leave before and after Childbirth

An employer shall grant a pregnant woman a total of a 90-day maternity leave (120-day maternity leave, if she is pregnant with at least two children at a time) before and after childbirth. In such cases, at least 45 days (60 days, if she is pregnant with two or more children at a time) of the leave period after childbirth shall be granted.

### 02. Reduction of Working Hours for Period of Pregnancy

Where a female employee who has been pregnant for not more than 12 weeks or for not less than 36 weeks requests the reduction of her work hours by two hours a day, the employer shall permit it. However, no employer shall reduce an employee's wages for reason of reduction of work hours. The employer may allow her work hours to be reduced to six hours if her work hours are shorter than eight hours a day.

### 03. Paternity Leave

Employers are required to give a 10 day paid holiday if an employee applies for a leave on the grounds of a spouse's childbirth. However, the claim cannot be made 90 days after the date of the childbirth.

## Work-Family Balance Assistance

### 01. Childcare Leave

Where a pregnant worker wishes to protect her motherhood or a worker parenting his/her children (including adopted children) eight years old or younger or in the first or second grade of elementary school applies for temporary retirement, his/her employer shall grant permission therefor. The period of childcare leave shall not exceed one year, and no employer shall dismiss or take any other disadvantageous measures against a worker on account of childcare leave, or dismiss the relevant worker during the period of childcare leave. The period of childcare leave shall be included in his/her continuous employment period.

### 02. Reduction of Working Hours for Period of Childcare

Where any worker eligible to apply for childcare leave applies for a reduction of working hours in lieu of such leave, his/her employer shall grant it and no employer shall dismiss, or take any disadvantageous measures against, a worker on grounds of reduction of working hours for a period of childcare. Working hours after reduction shall be at least 15 hours a week, but shall not exceed 35 hours a week.

※ Related law: Article 19 through 19-3 of the Equal Employment Opportunity and Work-family Balance Assistance Act

## Safety and Health

### 01. Health and Safety Education

A business owner shall regularly educate employees on health and safety in his/her place of business. Where a business owner employs a person for a harmful or dangerous job, he/she shall specially educate the employee for health and safety related to the job.

### 02. Health Examination for Employees

Health examination for employees should be conducted in order to protect and maintain employee's health. Office workers, other than those directly engaged in sales, shall take the examination at least once every two years while others shall take it at least once a year.

## Irregular Workers

### 01. Fixed-term Worker

Fixed-term workers refer to an employee who has a fixed contract period, and an employer may hire a fixed-term worker for a period not exceeding two years. Where an employer hires a fixed-term worker for more than two years, such fixed-term worker shall be deemed a worker subject to non-fixed term employment contract. No employer shall give discriminatory treatment to any fixed-term worker on the ground of his/her employment status compared with other workers engaged in the same or similar kind of work on a non-fixed term employment contract at the business or workplace concerned.

### 02. Temporary Agency Worker

Temporary agency worker refers to a worker employed by a temporary work agency who works for the dispatched company under the direction and supervision of the dispatched company in accordance with the terms and conditions of a contract on temporary placement of workers. Jobs permitted for temporary work agency business shall be deemed appropriate for that purpose in consideration of professional knowledge, skills or experience or the nature of duties and prescribed by Presidential Decree, except for those directly related to production in the manufacturing industry.

## Prohibition of Workplace Harassment

No employer or employee shall cause physical or mental suffering to other employees or deteriorate the work environment beyond the appropriate scope of work by taking advantage of superiority in rank, relationship, etc. in the workplace.

### 01. Protection of Workers

Where deemed necessary to protect employees who suffer or claim to suffer workplace harassment while investigation is conducted, the employer shall take appropriate measures for the victimized employees, etc., such as transferring their place of work or ordering them a paid leave of absence. In such cases, the employer shall not take measures contrary to the will of the victimized employees, etc.

### 02. Measures

Where the occurrence of workplace harassment is verified as a result of investigation, the employer shall take appropriate measures for the victimized employees, etc., such as transferring their place of work, giving them a lateral transfer or ordering them a paid leave of absence if the victimized employees, etc., make a request, and without delay, take necessary measures, such as taking disciplinary measures against the perpetrator of workplace harassment or transferring his/her place of work.

※ Related law: Chapter 6-2 of the Labor Standards Act (Enforced Jul. 16, 2019)

## Collective Labor-Management Relations

### 01. Labor Union

Labor union refers to an organization or associated organizations of workers which is formed voluntary, and there is no restriction in its form. Labor unions in Korea are formed generally as an associated organization including an industrial associated organization, the members of which are unit labor unions in the same industry, or a confederation of associated organizations, the members of which are industrial associated organizations or nationwide industrial unit labor unions.

### 02. Unfair Labor Practices

The government bans any infringement of users' right to work and guarantees the basic right to work under the Constitution through the system of correcting unfair labor practices. Unfair labor practices include: unfavorable treatment of a worker on grounds that he has joined or intends to join a labor union, etc.; employment of a worker on the condition that he should join a particular labor union; refusal or delay of the execution of a collective agreement or other collective bargaining; domination of or interference in the organization or operation of a labor union by workers; and unfavorable treatment of a worker on grounds that they have participated in justifiable collective activities, or that they reported to or testified.

※ Related law: Article 81 of the Trade Union and Labor Relations Adjustment Act

### 03. Labor Relations Commission

t is an administrative agency established to carry out judgment and coordination work on labor relations swiftly and fairly. The Labor Relations Commission shall carry out duties concerning the correction of judgment, decision, resolution, approval, recognition or discriminatory treatment under the Labor Union and Labor Relations Adjustment Act and the Labor Standards Act, and support for the mediation or arbitration of labor disputes or the resolution of independent labor disputes by the parties concerned, investigation, research, education and promotion related to the performance of such duties. The Labor Relations Commission has the right to request cooperation from related administrative agencies and to investigate the case if necessary.

※ Related law: Article 1, 2-2, 22-26 of the Labor Relations Commission Act

### 04. Labor-Management Consultation

It is a system in which both workers and users consult or jointly decide on various managerial matters for the common good. Companies with a permanent workforce of 30 or more are required to set up a labor-management council which consists of the same number of members representing workers and users. It usually consists of three or more members but no more than 10.

INFORMATION

### Obligation to Hire Persons with Disabilities and Persons of Distinguished Service to the Nation

**1. Obligation to Hire Persons with Disabilities**

Any business owner who regularly employs at least 50 full-time employees shall employ persons with disabilities at a ratio of at least 3.1% of the total number of employees. A business owner who employs persons with disabilities (excluding business owners who regularly employ at least 50, but not exceeding 100 employees), but fails to meet the mandatory rate for employment shall pay a contributory charge to the Minister of Employment and Labor each year.

※ Related law: Article 28, 33 of the Act on the Employment Promotion and Vocational Rehabilitation of Persons with Disabilities, Article 25, 36 of the Enforcement Decree of the Act

**2. Persons of Distinguished Service to the Nation**

A public or private enterprise and public or private organization which ordinarily employs at least 20 persons a day shall preferentially employ persons eligible for employment assistance in not lower than the employment* rate for each enterprise subject to employing persons eligible for employment assistance, which is set by Presidential Decree (Appendix 9 of the Enforcement Decree of the Act of the Honorable Treatment of and Support for Persons, etc. of Distinguished Service to the Nation), within the scope of 3 to 8% of the total number of its employees. An employer who refuses to employ such persons of employment assistance without any just grounds after an instruction from the Minister of Patriots and Veterans Affairs shall be imposed KRW 10 million or more of administrative fines.

Foreign-invested companies that move into free economic zones may be excluded from the application of the obligation to hire persons with disabilities and national meritorious workers, while foreign-invested enterprises that move into free trade zones may be excluded from the application of the obligation to hire persons with disabilities.

* Related law: Article 33-2, 86 of the Act of the Honorable Treatment of and Support for Persons, etc. of Distinguished Service to the State

Reference: Labor-Management Practice for Foreign-invested Businesses 2020 (KOTRA)

Frequently Asked Question & Answer

**Q 01 Hiring suitable employees and dismissing unsuitable employees is difficult. May a company have certain period of time to verify a new employee's qualities?**

A company may verify the employee's qualities via a probationary period stated on the labor contract. The period is not fixed by law but the majority of companies have a three-month probationary period as accorded in Article 26 of the Labor Standards Act which states that advance notice of dismissal is not essential when the period during which the employee has worked continuously is less than three months.

**Q 02 How is the minimum wage calculated on a 209-hour basis?**

The average weeks of one year are 4.345 weeks (365 days ÷ 7 days ÷ 12 months). The weekly work hours are 48 hours - eight hours per workday and eight hours during the weekly holiday. If 48 hours a week is multiplied with the monthly average weeks, the total hours comes to 208.56, or 209 hours. (4.345 X 48 = 208.56)

**Q 03 Is it violation of the law concerning work hours if an employee works 15 hours a day for three days a week, not exceeding 52 hours per week?**

The employee has worked seven hours of overtime work for three days per week, making the total overtime work hours per week 21 hours. The Labor Standards Act stipulates that one week's overtime work cannot exceed 12 hours, so even if the total working week is within 52 hours, it shall constitute a violation of the law.

**Q 04 Is it possible for an executive of a foreign-invested company to subscribe to employment insurance?**

A worker in a business that is covered by employment insurance becomes an insured employee, and a representative director and others are not insured. A worker is a person who provides work under the direction and supervision of the employer and receives wages in return. One is not an employee who is in the position of representative or executive body, such as a director of a corporation or an auditor. However, even if one's title is executive director or vice president, it is necessary to determine the worker's status based on the specific facts since the employee is provided with work in a subordinate relationship without having any actual right to carry out work and is not responsible for the management of the company.

Frequently Asked Question & Answer

**Q 05 What are the cases in which foreign employees are excluded from subscription to national pension?**

- When the foreign employee's home country law does not apply to the people of Korea regarding "the pension commensurate with the national pension" under the National Pension Act.
- When a foreigner overstays the permitted period of sojourn.
- When a foreigner is not registered or an order is issued to deport him or her.
- When the status of sojourn is as follows: Diplomacy (A-1), Foreign Government Official (A-2), International agreement (A-3), Visa Exempted (B-1), Tourist/Transit (B-2), Short-term News Coverage (C-1), Short-term Visit (C-3), Short-term Employee (C-4), Korean Arts and Culture (D-1), Student (D-2), Industrial Trainee (D-3), General Trainee (D-4), Religious Worker (D-6), Visiting or Joining Family (F-1), Dependent Family (F-3), Others (G-1)
- When a foreigner is not subject to the "National Pension Act" in any other statute or treaty

**Q 06 Is a foreigner who works in a foreign-invested company and has a D-8 visa obliged to subscribe to health insurance?**

In principle, the foreign employee is subject to obligatory subscription to national health insurance. However, according to Article 109 (5) of the National Health Insurance Act and Article 61-4 of the Enforcement Rules of the Act, where a foreigner residing in Korea can receive medical care equivalent to health care benefits through a foreign insurance or a contract with his/her employer and the employer or subscriber applies for exemption from subscription, he/she can be excluded from subscription.

**Q 07 Is National Pension refundable when a foreigner returns to his/her home country?**

A lump-sum refund can be applied to a foreigner who returns to his/her home country in the following cases: www.nps.or.kr

ⓐ In cases where a foreigner whose home country grants Koreans benefits in compliance with a lump-sum refund under the National Pension Scheme,

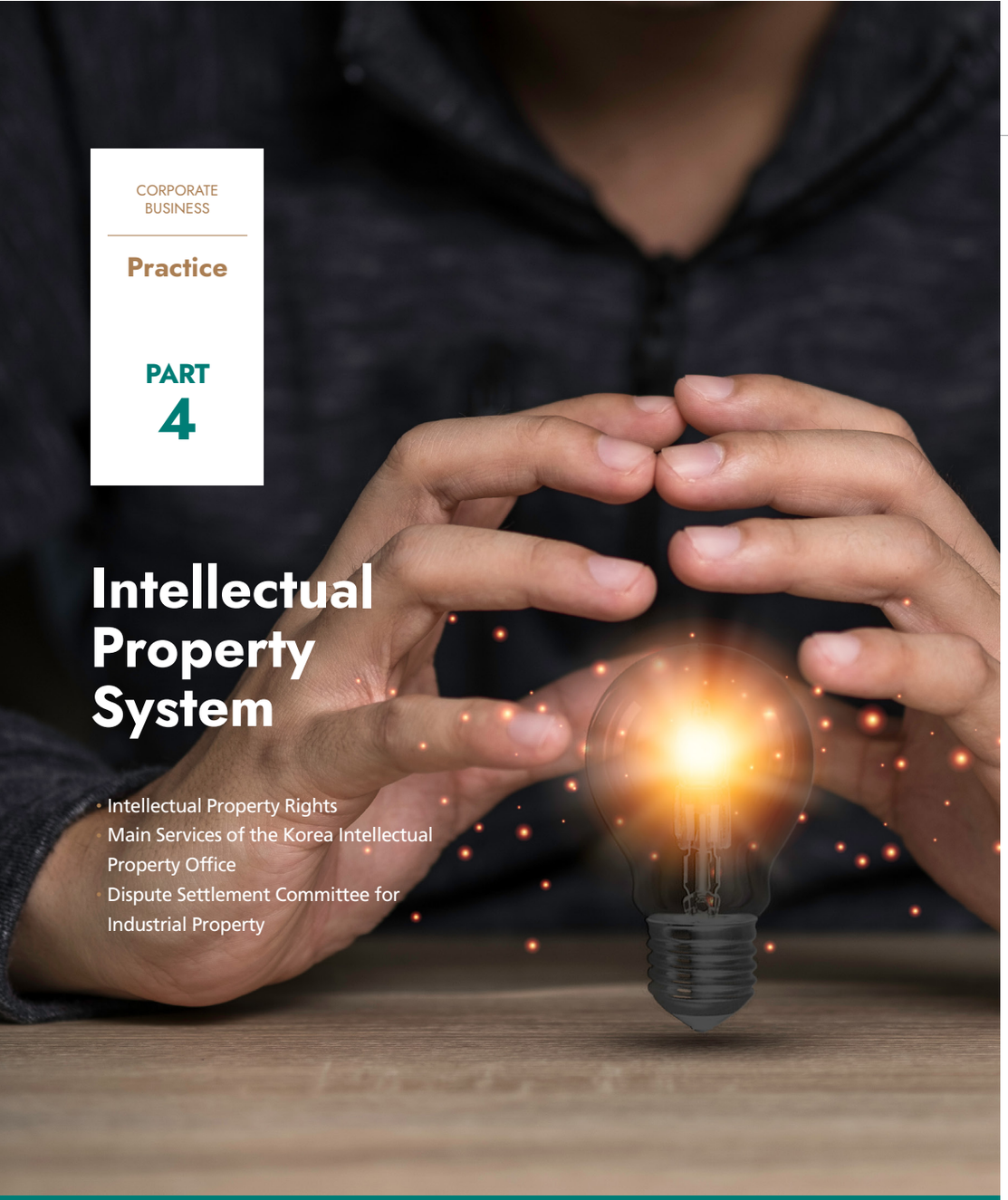
ⓑ In cases where a foreigner whose home country has concluded a social security agreement with Korea regarding the payment of the lump-sum refund.

※ As of May 2019: 18 countries including Canada, United States, Germany, Hungary, France, Australia, Czech Republic, Belgium, Bulgaria, Slovakia, Poland, Romania, Austria, India, Turkey, Switzerland, Brazil, Peru

ⓒ In cases where a foreigner who has been covered under the National Pension Scheme with the status of sojourn of E-8 (Employment for Training), E-9 (Non-professional Employment), or H-2 (Visiting Employment), returns to his/her home country

**Q 08 If the notice of termination was given five days short of the 30-day notice period, shall the employee be given an allowance for advance notice of dismissal for the five days?**

When an employer intends to fire (including dismissal for managerial reasons) an employee, the employer shall make a notice of dismissal at least 30 days in advance, and if the employer has not made the notice 30 days in advance, the employer shall pay the amount equivalent or more than the ordinary wage for 30 days or more (allowance for advance notice of dismissal). The period of termination notice is calculated as calendar days, not working days, so if there is a holiday it is not extended, and if there is a shortage of one day or more, the entire amount equivalent to or more than ordinary wage for 30 days or longer should be paid.



CORPORATE BUSINESS

Practice

PART 4

# Intellectual Property System

- Intellectual Property Rights
- Main Services of the Korea Intellectual Property Office
- Dispute Settlement Committee for Industrial Property

Korea is the world's 4th largest intellectual property applicant and 5th largest international patent applicant for Patent Cooperation Treaty (PCT), making the country a patent powerhouse. In general, patents are divided into industrial property rights, copyrights, and new intellectual property rights, although industrial property rights are the most common in Korea. The Korean Intellectual Property Office, designated as an international research institute for PCT international applications and an international reserve review agency in 1999, has improved its system by strengthening related laws and systems and simplifying administrative procedures to actively cope with the rapidly changing global trade environment, and providing various support for the acquisition and protection of intellectual property rights.



## Intellectual Property Rights

Intellectual property right is classified into industrial property rights, copyrights, and new intellectual property rights. Industrial property rights consist of patent right, utility model right, design right, and trademark right. This book will only focus on the industrial property rights that are applied to companies.

### 01. Registration of Intellectual Property Rights

**"Registration of Industrial Property Rights"** inclusively refers to the recording of the creation, modification, extinction, and other given items of information concerning patent rights on the patent register maintained at the patent office or recorded items of information based on the authority of the Commissioner of the Patent Office, request by the parties, or commission by a law court or other government agencies.

**"Register"** means the patent register maintained at the patent office for the Commissioner to record the prescribed registration items provided under statutes concerning industrial property rights and related rights. The registers for industrial property rights are broken down into four kinds, and each register has separate trust registers. The statement of patented invention, drawings, design drawings, and documents indicating trademarks are regarded as part of the register.

| Category | Definition | Duration |
|---|---|---|
| Patent register | An official book for registering patents as the creation of technical ideas using the law of nature whose invention level is advanced | From the day of filing of registration, up to 20 years from the date of filing |
| Utility model register | An official book for registering utility models as the creation of technical ideas using the law of nature concerning the shape, structure, and combination of articles | From the day of filing of registration, up to 10 years from the date of filing (up to 15 years in case of those subject to the old Act) |
| Design register | An official book for registering designs, which are forms, shapes, colors, or their combination of articles for feeling the aesthetic sense visually | From the day of filing of registration, up to 20 years from the date of filing (up to 15 years from the registration date in case of those subject to the old Act) |
| Trademark register | An official book for registering trademarks, which are signs, characters, figures, cubic shapes, colors, holograms, actions, or their combinations used to distinguish from other goods | Up to 10 years from the registration date (renewable every 10 years, semi-permanent right) |

## 02. Patent Right

The patent right system is prepared to promote the development of the national industry by protecting and promoting inventions, and to this end, it refers to granting patent rights in return for technology disclosure. The right is effective only within the countries which have obtained the rights, while Korea adopts an elective principle that grants patent rights to first-time applicants in patent applications.

### Main Procedures for Patent Application

① Formality Examination → ② Disclosure of Application → ③ Substantial Examination → ④ Decision on Patent → ⑤ Publication of Registration

① Formality assessment is to check whether there are errors in the process (e.g., missing information on submitted documents, observation of period, attachment of required certificates, payment of fees).

② The Korean Intellectual Property Office discloses the patent application 18 months after the application date to prevent delays in the public disclosure of technologies for which an application has been submitted.

③ Substantive examination reviews the invention's industrial applicability, novelty and inventiveness. A patent is granted on condition of disclosure, so a review is conducted on whether the specification is appropriate for use by the public.

④ The applicant will be notified of the decision to grant a patent when the examination result shows no reason for rejection.

⑤ The applicant shall pay a registration fee to register the patent immediately upon receiving notification of the decision to award a patent. The patent right enters into effect upon establishment of registration and the registered application for a patent will then be published and disclosed to the public.

### Method of Patent Application

| Method | Electronic Application | Application in Paper | |
|---|---|---|---|
| | Online | Post | Walk-in |
| Details | Transmit an application online by using software for electronic documents | Fill out an application form and send it to the Korea Intellectual Property Office | Submit an application by visiting the office |
| Place for application | www.patent.go.kr ▶ patent application ▶ application in Korea ▶ Installation of software for electronic documents | (35208) A director of Korea Intellectual Property Office, Government complex Daejeon, Seogucheongsa-ro 189, Daejeon Metropolitan City | Customers service center for patent in Korea Intellectual Property Office (Daejeon), Seoul office of Korea Intellectual Property Office (Seoul) |
| Time of receipt | Available 24 hours from Monday to Saturday. Available from 09:00 to 21:00 on holidays and Sundays | The imprinted date from post office is recognized as application date. (The arrival date in Korea Intellectual Property Office shall be recognized as application date for PCT international application) | From 09:00 to 18:00 (From 09:00 to 13:00 for winter season and Saturdays) |

INFORMATION

**Electronic Application for Patent and Information Retrieval**

1. "Teukheoro" is an electronic application service for patent operated by Korea Intellectual Property Office, which makes it easy to apply and register patent and pay commission.
   www.patent.go.kr • Customers service center: 1544-8080
2. KIPRIS (Korea Intellectual Property Rights Information Service) is an information retrieval service operated by Korea Intellectual Property Office through Korea Institute of Patent Information (KIPI). It provides a search and inquires function for domestic intellectual property information and overseas patent information including patents and utility model rights, design, and trademarks.
   www.kipris.or.kr

## 03. Utility Model Rights

Patent rights protect invention; on the other hand, utility model rights protect design. Thus, utility model means the design itself, which can be improved to make it more convenient and useful to use. The system of registration has been adopted after the examination to decide whether or not to register a new utility model after an actual review.

## 04. Design Rights

Design rights refer to the exclusive right enjoyed by the registrar for all designs that create a sense of taste through vision, such as the forms, shape, color, or their combination. If the applicant wishes to apply for a design similar to the originally applied basic design, the application can be recognized as related design within one year from the registration application date of the basic design and the design right can be obtained.

## 05. Trademarks Rights

Trademark rights refer to the right to exclusively use the labels used to identify one's own and another's products. Labels refer to all markings used to indicate the source of a product, regardless of its composition or manner of expression, such as symbols, letters, shapes, sounds, smells, stereoscopic features, holograms, actions, or colors. The terms of the existence of the trademark are 10 years from the date of the establishment registration, and an application for renewal is required every ten years.



# Main Services of the Korea Intellectual Property Office

With technological innovation and intellectual property policies at the core of the national strategy due to the Fourth Industrial Revolution, the Korea Intellectual Property Office is pursuing policies to foster related manpower and improve services to the public, including reliable screening and examination, providing referee services, strengthening protection and support to strong patent creation and promoting commercialization of superior intellectual properties.

## 01. Patent Examination System Customized in Three Tracks

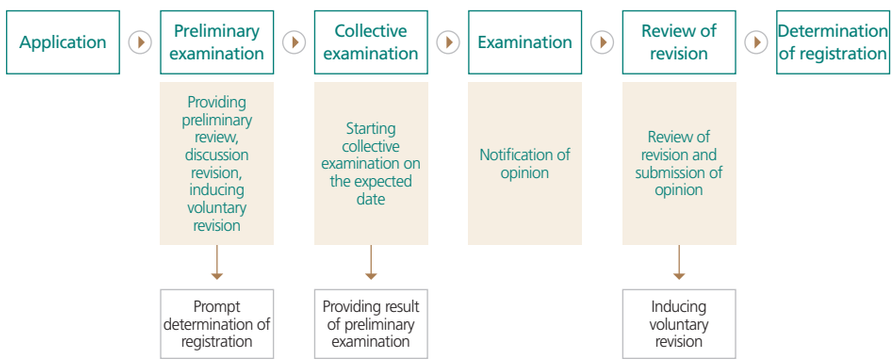
The Korea Intellectual Property Office operates a patent examination system customized in three tracks to offer competitive period and quality of examination: preferential examination, general examination, and late examination. It has advantages of providing the opportunity to secure monopolistic status with acquisition of patents in advance and securing sufficient time of commercialization through late examination.

- Preferential examination: Request preceding technology investigation at a specialized organization and adjust the processing time for the application
- General examination: Provide the result within the average pendency period
- Late examination: Introduce an application system of suspension of examination for customer who requests late examination

## 02. Patent Examination 3.0

It is a new paradigm of patent examination to enable high-quality patents beyond the traditional one-way service and with communication between applicants and examiners in every process of examination including preliminary examination, collective examination, and review of revision.

### Major Systems at Each Step of Examination



## 03. Preliminary Examination

The patent applicant can identify and respond to the reasons for rejection before the official examination by exchanging opinions based on the results of the review, and grant the correct examination and patent rights in advance by exchanging opinions of the technology and examination with the applicant.

## 04. Collective Examination

By reviewing multiple applications at once at the expected time, companies can secure collective intellectual property rights in accordance with their management strategies such as when products are released, and the nation can commercialize R&D products and activate technology transfer.

## 05. Review of Revision

A system in which the patent applicant exchanges opinions on the revision through a meeting with the examiner before submitting the final version of document in response to the reason for the refusal notified. The applicant can advance the timing of the patent decision by reducing unnecessary procedures by identifying whether or not the reasons for the correction of the revised proposal are resolved before submitting the final documents, while the examiner can seek an accurate examination by exchanging opinions of the technology and examination with the applicant directly.

## 06. Technology Publication Service through the Internet

On its website, the Korea Intellectual Property Office created a "Cyber Bulletin" as an internet technology publication service. Since it is difficult to exercise patents on certain technologies due to the prior application for the purpose of defense in regard to time loss and cost, the Korea Intellectual Property Office offers notarization of the details and date of technology and recognition of the priority for those who intend not to secure patent rights but seek protection from exercised patent rights when he/she posts the details of technology in the "Cyber Bulletin" to prevent disadvantages in business from other company's exercise of patent rights.

IN DETAIL

**When not to use the internet technology publication service**

For those who intend to apply for patent rights through the application process and for technologies protected by trade secret.



# Dispute Settlement Committee for Industrial Property

The Korea Intellectual Property Office operates a Dispute Settlement Committee for industrial property based on the Invention Promotion Act and supports the settlement in order to reduce cost and time burden of people arising from lawsuits and to offer advance and fair resolution on disputes over industrial property rights. Settlement by the Dispute Settlement Committee for industrial property provides prompt reconciliation via a free service as opposed to a lawsuit. In addition, the process is undertaken behind closed doors, while the following advantages are provided.

| Category | Details |
|---|---|
| Saving time and cost | Time can be saved by resolving multiple lawsuits (civil and criminal) or judgments in a single procedure, and costs can be saved since no separate application amount are required. |
| Professional and neutral advice | Committee members, consisting of experts, assist the parties to make reasonable judgments by giving professional and objective advice on industrial property rights disputes through coordination meetings. |
| Win-win settlement of disputes between two parties | Satisfactory compromise between the two parties is possible as opposed to lawsuits. |
| Enactment of reconciliation in court when settlement is established | Enactment of reconciliation in court which has the same effect as final and conclusive judgement shall be made when settlement is established. |
| Promptness and confidentiality | The process of settlement shall be completed within 3 months from the application date when there is no specific reason. The process is undertaken in confidence, which is useful for those who do not wish to inform the public of the dispute or are concerned with leakage of trade secrets. |

## 01. Qualifications to Apply

Qualified applicants for dispute settlement are industrial property holders, enforcers, licensees, employee inventors, and those who have interests in implementing rights.

## 02. Types of Disputes Open for Settlement

- Dispute of industrial property (patent, utility model, trademarks and design)
- Dispute concerning job invention
- Dispute concerning technical trade secret

→ Except for requests for free and cancellation of industrial property rights and judgment on rights verification, etc.

INFORMATION

**Application for Settlement Dispute on Industrial Property**

- Application method: Fill out the application form from the website and apply online or by postage, fax, or e-mail. http://koipa.re.kr/adr/requst_2.html
- Contact: 1670-9779 (TEL), 02-2183-5897 (Fax), Ip.adr@korea.kr (email)
- Address: Dispute Settlement Committee for Industrial Property Office, 6F Korea Intellectual Property Center, Teheran-ro 131, Gangnam-gu, Seoul

CORPORATE BUSINESS

Practice

PART 5

# Foreign Investment Ombudsman System

- Function and Authority of the Foreign Investment Ombudsman System
- Grievance Resolution Committee and Home Doctor System

The Foreign Investment Ombudsman System was introduced in 1999, under the Foreign Investment Promotion Act, for the purpose of supporting the settlement of grievances of foreign-invested companies operating in Korea. The Foreign Investment Ombudsman offers after-care service for foreign-invested companies, which effectively addresses and supports the difficulties of companies and subsequently promotes an increase in investment from existing foreign-invested companies, as well as new investment, by improving the investment environment.



## Function and Authority of the Foreign Investment Ombudsman System

### 01. Appointment and Roles

The Foreign Investment Ombudsman shall be commissioned by the President following the recommendation of the Minister of Trade, Industry, and Energy, and via deliberation by the Foreign Investment Committee. The Foreign Investment Ombudsman is responsible for the investigation and handling of difficulties of foreign investors and foreign-invested companies, the preparation of policy measures for improving the foreign investment system, recommendations to relevant administrative and public agencies, and other tasks required for handling the difficulties of foreign investors and foreign-invested companies.

### 02. Authority

① If necessary for settling the grievances of foreign investors and foreign-invested companies, the Foreign Investment Ombudsman may request that the head of a relevant administrative agency and foreign-investment related agency render necessary cooperation in the following matters. In such cases, the head of the relevant administrative agency, etc. in receipt of such request shall comply therewith, unless extenuating circumstances exist:

- Providing an explanation to a relevant administrative agency, etc. or submitting data in accordance with the standards as prescribed by Presidential Decree
- Stating opinions of related employees, interested persons, etc.
- Requesting cooperation for site visits

② Where deemed necessary after resolving the complaints of foreign investors and foreign-invested companies, any foreign investment ombudsman may recommend the heads of relevant administrative agencies and the heads of public institutions to take corrective measures on related affairs.

- The heads of the related central and municipal government offices that have been advised to improve their system or service should notify the Foreign Investment Ombudsman of the results of their handling in writing within 30 days.
- The Foreign Investment Ombudsman may check or inspect the performance of the recommended improvement and have the case of recommended improvement referred to the Foreign Investment Committee when the heads of related central or municipal government offices fail to perform the improvement as recommended.

※ Related laws: Article 15-2 (3), (4), (5), (6) of the Foreign Investment Promotion Act, Article 21-3 (5), (6) of its Enforcement Decree

# Grievance Resolution Committee and Home Doctor System

## 01. Grievance Resolution Committee

A grievance resolution committee shall be established within the Korea Trade-Investment Promotion Agency in order to support the duties of the Foreign Investment Ombudsman, with the head of the committee being the Foreign Investment Ombudsman.

The head of the grievance resolution committee may request cooperation from a relevant administrative agency or a foreign-investment related agency to settle the complaints of foreign investors and foreign-invested companies. In such cases, the agency upon receipt of a request for cooperation shall present the results of resolving complaints or its opinion on such matters within seven days after receipt of the request.

※ Related law: Article 21-4 (2), (3) of the Enforcement Decree of the Foreign Investment Promotion Act

## 02. Home Doctor System

In order to efficiently settle the complaints of foreign investors and foreign-invested companies, the head of the grievance resolution committee may designate Home Doctors in charge of settling complaints for each region or foreign-invested company.

- Areas supported: Finance, labor, tax/accounting, consumer goods, certification/safety/environment/IT/automobile/machinery, immigration/visa, etc.

※ Related laws: Article 21-4 (5) of the Enforcement Decree of the Foreign Investment Promotion Act

## 03. Procedures for Grievance Resolution

Procedures for the resolution of grievances from foreign investors or foreign-invested companies are as follows.

① Submit grievances online through the Foreign Investment Ombudsman Portal (https://ombudsman.kotra.or.kr)
② The relevant expert pursues settlement methods in consultation with related ministries or agencies after examining the contents of the related complaint
③ The results of complaint handling are individually notified to the relevant business

* Source: 2019 Foreign Investment Ombudsman Annual Report (Sep. 2020)

### INFORMATION

**Contact the Foreign Investment Ombudsman for grievance resolution**

- TEL: 02-3497-1824
- Fax: 02-3497-1699
- Address: Foreign-invested Company Grievance Settlement Office, 6F Invest Korea Plaza, Hyeoleung-ro 7, Seocho-gu, Seoul

## 04. Regulatory Information for Foreign Investors

The Regulatory Information Service for Foreign Investors is provided by the Office of the Foreign Investment Ombudsman in cooperation with the Regulatory Reform Committee under the Office of Government Policy Coordination to seek the opinions of foreign-invested companies. The government and National Assembly's legislative proposals relevant to foreign investment are translated into English and submissions made by foreign investors are referred to relevant government bodies.

* The Foreign Investment Ombudsman website (Regulatory information): http://ombudsman.kotra.or.kr

### Details of Service

| Category | Details of Service |
|---|---|
| Government legislation | • Prroviding translation in English and summary of new or enhanced regulation from Government (Enforcement Decree and Enforcement Rules) |
| | • Collecting opinions of related regulation from foreign-invested companies, providing English translation and sending it to government agencies in charge of the regulation. |
| National Assembly legislation | • Providing English translation and summary regarding new or enhanced regulation from National Assembly on motion |
| | • Collecting the opinions of related regulation from foreign-invested companies, providing English translation and sending it to government agencies or relevant member of the National Assembly in charge of the regulation. |
| Regulatory Reform Sinmungo (Request for improving the existing regulation) | • Collecting proposals regarding the existing regulation in effect, sending replies to the government ministry and office concerned. |

* Source: 2019 Foreign Investment Ombudsman Annual Report (Sep. 2020)

### INFORMATION

**Method of Application for Newsletter of Regulatory Information**

- Application: Available in Foreign Investment Ombudsman website (Bulletin Board ▶ Newsletter)
- Contact: 02-3497-1829, 1827

### Frequently Asked Question & Answer

**Q 01 In what areas can grievance resolution be applied?**

Resolutions for grievances are provided in all fields, ranging from corporate management to the living environment of foreign investors. Exceptions include private disputes between companies, the sales of individual companies, requests that contradict global standards and matters that unfairly influence other companies or industries.

* Source: 2019 Foreign Investment Ombudsman Annual Report (Sep. 2020)

CORPORATE BUSINESS

Practice

PART 6

# Dissolution and Liquidation

- Dissolution
- Liquidation of a Stock Company
- Cancellation of Authorization and Permission
- Cancellation of Business Registration
- Cancellation of Foreign- Invested Company Registration
- Overseas Remittance

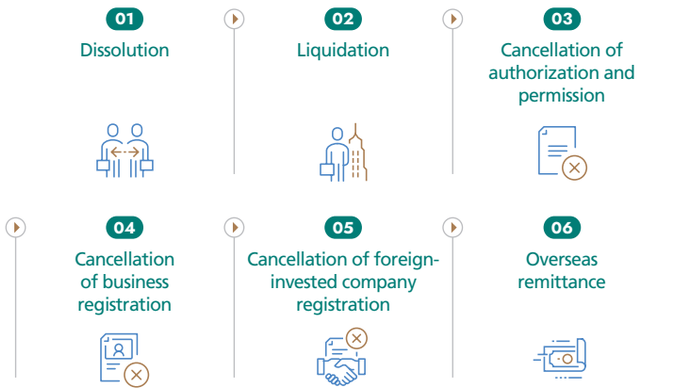
When a foreign-invested company discontinues its business, its corporate personality shall be lost through a procedure of dissolution, liquidation, cancellation of authorization and permission and its business registration, cancellation of foreign-invested company registration. If every process is completed, it is possible to transfer the surplus assets distributed by its equity ratio after the liquidation of its liabilities. A separate liquidator is appointed to carry out liquidation.



## Dissolution

When a corporation discontinues its business, it is required to undertake procedures of dissolution, liquidation, cancellation of authorization and permission, cancellation of its business registration, cancellation of foreign-invested company registration, which takes about two months. It is impossible to reduce the period to less than two months because the period of notice to creditors is two months according to Article 535 of the Commercial Act.

### Procedure of dissolution and liquidation




The process of dissolution and liquidation is required for the elimination of corporate personality. The grounds for dissolution are as follows, but in most cases, the dissolution is decided by a resolution passed at a general meeting of shareholders.

### Grounds for Stock Company Dissolution

- Termination of the period of existence or occurrence of any events specified in the articles of incorporation
- Merger
- Bankruptcy
- Order or ruling by a court
- Division or merger after division of the company
- Resolution passed at a general meeting of shareholders (at least 2/3 of the voting stocks of shareholders presenting 1/3 or more of total outstanding shares

**★ DOCUMENTS**

- Registration of Dissolution

Online Registry of Supreme Court www.iros.go.kr ▶ Library ▶ Registration application form ▶ Corporate registration ▶ Search (Registration of incorporation)

※ **Contact: Officer in charge of corporate registration in Supreme Court Register Office 1544-0773→2→3**

# Liquidation of a Stock Company

## 01. Appointment of Liquidators

Upon dissolution of a company, except in cases of dissolution by a merger, division, merger after division, or bankruptcy, directors shall become liquidators. This is not necessary, however, if otherwise provided for in the articles of incorporation or if other persons have been appointed at a general meeting of shareholders.

## 02. Liquidator's Report

A liquidator shall report the grounds for and date of dissolution and the name, resident registration number, and address of the liquidator to the court within two weeks of the date of appointment.

## 03. Investigation and Report of Company Assets

After a liquidator has assumed office, he/she shall, without delay, investigate the status of the company's assets and shall prepare an inventory list and a balance sheet and submit them to a general meeting of shareholders for approval. After obtaining approval, a liquidator shall, without delay, submit an inventory list and a balance sheet to the court.

## 04. Preparation and Submission of Balance Sheet, etc.

A liquidator shall prepare a balance sheet, supplementary schedules, and a business report four weeks prior to the date set for an ordinary general meeting of shareholders and submit them to an auditor.

## 05. Submission of Audit Report from Auditor

An auditor shall submit to a liquidator an audit report on the balance sheet, supplementary schedules, and a business report one week prior to the date set for an ordinary general meeting of shareholders.

## 06. Peremptory Notice to Creditors and Repayments

A liquidator shall give peremptory notice to creditors of a company, by means of public notice, at least two times within two months after he/she takes office, to the effect that the creditors present their claims within a fixed period and that any creditor failing to do so will be excluded from the liquidation. In addition, a liquidator shall give peremptory notice demanding presentation of claims individually to each creditor known to the company, and such creditor shall not be excluded from the liquidation, even if he/she has failed to present his/her claim.

## 07. Distribution of Surplus Assets

Surplus assets shall be distributed to shareholders in proportion to the number of shares held by each shareholder.

## 08. Completion of Liquidation

When liquidation-related affairs have been completed, a liquidator shall without delay prepare a statement of the settlement of accounts and submit it to a general meeting of shareholders for approval.

## 09. Registration of Completion of Liquidation

After the completion of liquidation, a liquidator shall register the completion of liquidation upon the approval of a general meeting of shareholders within two weeks for the main branch, and within three weeks for the other branches.

## Cancellation of Authorization and Permission

Where registration of business, report of business, and authorization and permission of business are acquired by type of established business, business closure must be reported. The managing authority is the office of Si/ Gun/Gu/ Special self-governing province, local community health center in jurisdiction, and local ministry of food and drug safety where the authorization and permission has been initially issued.

## Cancellation of Business Registration

When a business operator closes the registered business, the operator shall submit the declaration of business closure without delay, to the head of the tax office (submission acceptable through the national tax information network).

## Cancellation of Foreign-Invested Company Registration

When a foreign-invested company closes its business, foreign-invested company registration shall be cancelled. The delegated agency shall issue the confirmation of cancellation of foreign-invested company registration after completion of cancellation.

## Overseas Remittance

ollection of surplus equity for investment and overseas remittance are guaranteed by the Article 3 (1) of the Foreign Investment Promotion Act and the Article 6 (4) of the Foreign Exchange Transactions Act.

**★ DOCUMENTS**

### Registration of Completion of Liquidation

On-line registry of Supreme Court www.iros.go.kr ▸ Library ▸ Registration application form ▸ Corporate registration ▸ Search (Liquidation for stock company, Liquidation for limited company)

**※ Contact: Officer in charge of corporate registration in Supreme Court Register Office 1544-0773→2→3**

### Cancellation of Business Registration

- Report on business suspension or closure
  (Form no. 9 of the Enforcement Rule of the Value Added Tax Act; Report on business suspension or closure)
- Original copy of business license, incorporation registration of dissolution or liquidation, representative's identification card

* Where an agent files an application: Power of attorney and the agent's identification (ID card)

**※ Contact: Officer in charge of VAT at the National Tax Service 126→2→2**

### Cancellation of Foreign-Invested Company Registration

- A copy of application of foreign-invested company registration
  (Attached form No. 17 of Enforcement Decree of the Foreign Investment Promotion Act: Application of foreign-invested company registration)
- Confirmation of business closure, certificate of all matters of incorporation registration (Liquidation completed)
- Original copy of registration of foreign-invested company to be returned

* Where an agent files an application: Power of attorney and the agent's identification (ID card)

### Overseas Remittance

- Application (Confirmation of cancellation of foreign-invested company registration) (Attached form No. 18-2 in the Enforcement Decree of the Foreign Investment Promotion Act)
- Liquidation report certified by the CPA / Certification of tax payment
  (issued by the tax office in jurisdiction)
- Local tax clearance certification (issued by borough office of Si/Gun/Gu) / Certificate of deposit / Certificate of all matters of incorporation registration (Liquidation completed)
- Liquidator's certificate of seal or corporate certificate of seal

* Where an agent files an application : Power of attorney and the agent's identification (ID card)

# 04

CORPORATE
BUSINESS

# Individual Business

- Individual Business
- Acquisition of Real Estate

The establishment process of an individual business whose business entity is an individual is the same as the process of a corporation established by shareholders with capital excluding the step of incorporation registration. However, it is different from a corporation in regard to the method of taxation, accounting and financial management, and also the D-8-3 or D-9 visa which allows the business owner to stay in Korea should be obtained. When the business is discontinued, it is possible to transfer the surplus assets to a home country after a procedure of cancellation of authorization and permission, business registration, and foreign invested company registration.

Individual Business

PART 1

# Individual Business

- Difference Between Individual and Corporate Business Operators
- Establishment Procedures
- Taxation
- Visa
- Process of Business Closure



## Difference Between Individual and Corporate Business Operators

If an individual business switches to a stock company, it may work to an advantage in terms of tax savings. Individual businesses with a low tax base according to the tax rate table have an advantage on tax payment, although if the tax base is above a certain amount, a corporation has an advantage.

### ✦Differences between Individual Business and Corporate Business

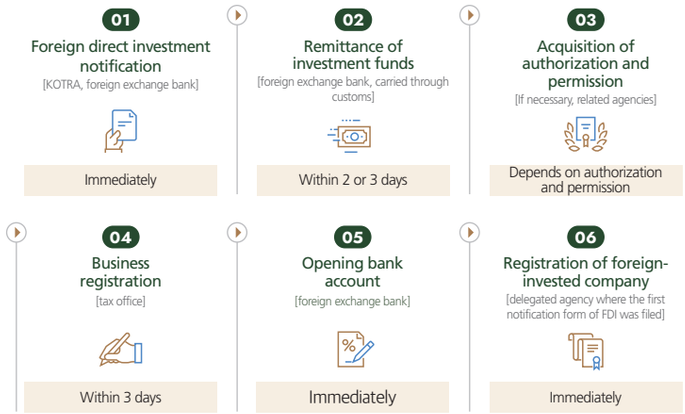
| | Individual Business | Corporate Business |
|---|---|---|
| 01 Applicable law | Income Tax Act | Corporate Tax Act |
| 02 Taxable income | Income tax is imposed on the income listed in the Income Tax Act. | Income tax is imposed on the whole amount of increased net assets in the relevant business year. |
| 03 Obligation of tax payment | Only for the income in the relevant year | For business income and liquidated income of each business year |
| 04 Tax rate | 6~45% | 10~25% |
| 05 Fiscal year | The taxable period is determined so that tax for income from January 1 to December 31 of each year can be paid pursuant to the Income Tax Act. | The business year can be decided arbitrarily by the article of association. |
| 06 Obligation of book-keeping | Only individual companies of certain size or larger are obligated to prepare a financial statement. | Every corporation is obligated to prepare a financial statement. |
| 07 Subject of rights and obligations | A business operator is the subject of its rights and obligations. The business can be attributed to the operator's income but he/she becomes a directly involved party to a default, etc. and assumes unlimited liability. | The responsibility of investors is limited to the amount of their contributions except in cases where there are other provisions in the Commercial Act. |
| 08 Use of Property | Profits earned from business belong to the business owner. | Profits earned from business primarily belong to the corporation. |

# Establishment Procedures

### Individual Business vs. Corporation

A corporation assumes corporate personality through incorporation registration in the registration office in the relevant jurisdiction and via business registration in the tax office in jurisdiction. An individual business can commence business by applying for business registration at the relevant tax office **without business registration.**

### Flow Chart of Foreign Investment for Individual Businesses




## 01. Notification of Foreign Direct Investment

A foreign investor is required to file pre-notification of FDI to KOTRA (KOTRA's Investment Consulting Center or its overseas investment hub offices) or delegated agencies (headquarter or branch of a foreign exchange bank).

**★ DOCUMENTS**

**FDI Notification**

[In case of equity investment]

- 2 copies of the notification form (Enforcement Rules of the Foreign Investment Promotion Act, attached form no.1: Application for Notification of foreign investment by acquisition of stocks or contribution and application for its permission)
- Foreign investor's certificate of nationality (Individual: Passport)

*Where an agent files an application: Power of attorney and the agent's identification (ID card)

[In case of long-term loan]

- 2 copies of the notification form (Enforcement Rules of the Foreign Investment Promotion Act, Attached Form 2: Notification of foreign investment in the form of a long-term loan)
- Foreign investor(loan provider)'s certificate of nationality
- Copy of the loan contract (the lender: the investor him/herself)

[In case of non-cash investments]

- Documents certifying object of investment (e.g., price evaluation certificate documents on industrial property rights)

*Where an agent files an application : Power of attorney and the agent's identification (ID card)



## 02. Remittance of Investment Fund

A foreign investor may remit investment funds by wire transfer to the temporary account of a foreign exchange bank in Korea or hand-carry the foreign currency through customs directly. In the latter case, the investor should declare the funds at the customs office and receive a certificate of declaration of foreign currency.

**INFORMATION**

**Opening of temporary account**

A temporary account may be opened at a local bank by submitting a document certifying the nationality of the foreign investor (document certifying the existence of a corporation or passport issued by the country of the foreign investor). However, the required documents may vary by bank. The investment fund must be remitted with foreign currency and the purpose of remittance must be stated as 'investment.'

## 03. Authorization and Permission

Where necessary for business, a foreign investor must acquire authorization and permission from the competent authorities, such as a district office, regional health center, and the Ministry of Food and Drug Safety. The processing period may change depending on the sort of authorization and permission for the type of business.

**IN DETAIL**

**Examples of the Type of Businesses that Need Authorization and Permission**

Cosmetics manufacturing, sales and import of cosmetics, food manufacturing, sales of medical equipment, medical equipment manufacturing, sales and import of medical equipment, mail-order sales (including E-commerce), restaurant, accommodation, sales and import of health food, travel, attraction of international patients, import of liquor, small-scale manufacturing of beer, job placement, currency exchange, etc.

## 04. Business Registration

Every tax office accepts business registration regardless of the jurisdiction, with the total process taking three days.

**★ DOCUMENTS**

**Business Registration**

- Application Form (Enforcement Rules of Value Added Tax Act, attached form 4: Application for business registration), lease contract, foreign currency purchase certificate, copy of passport, foreign investment notification form, certificate of authorization and permission (if required), etc.

* Where an agent files an application : Power of attorney and the agent's identification (ID card)

## 05. Opening a Business Bank Account

A foreign investor may open a business account from a foreign exchange bank. An account can be opened immediately, but it needs careful consideration to choose the bank since opening an additional account at another bank is restricted for 20 business days.

## 06. Registration of Foreign-Invested Company

Registration of foreign-invested company is required as the last step of foreign investment, and an application shall be filed to KOTRA or a foreign exchange bank where the notification was initially made. The registration should be completed within 60 days of the business registration.

### INFORMATION

**Contact**

- Business registration: Officer in charge of value added tax in the National Tax Service 126->2->2
- Notification and registration of FDI: KOTRA 1600-7119

**★ DOCUMENTS**

**Opening a Business Bank Account**

- Copy of business license, seal of the representative of the business, copy of representative's identification (ID card)

* Where an agent files an application: Power of attorney and the agent's identification (ID card)

**Registration of Foreign-Invested Company**

- Application form (Enforcement Rules of the Foreign Investment Promotion Act, attached form 17: Application form for foreign-invested company registration)
- Foreign currency purchase certificate, copy of business registration certificate

* Where an agent files an application: Power of attorney and the agent's identification (ID card)



# Taxation

## 01. Taxpayer and Taxable Income

Individuals shall file and pay tax on their global income, retirement income, and capital gains according to the Income Tax Act. Global income tax should be filed and paid for the sum of interest income, dividend income, business income, wage and salary income, pension income and other income.

## 02. Business Year

The taxable period of income tax shall be one year, from January 1 to December 31.

## 03. Due Date of Report

Income from January 1 to December 31 should be reported from May 1 to 31 of the following year. Compliant business operators can file from June 1 to 30.

## 04. Tax Rate

The following tax rate is applied to global income and retirement income, while a separate tax rate is applied to capital gains depending on the type of asset and the period of possession.

| Tax Base | Tax Rate |
|---|---|
| KRW 12 million or less | 6% of the tax base |
| Over KRW 12 million & not over KRW 46 million | KRW 720,000 + (15% of amount over KRW 12 million) |
| Over KRW 46 million & not over KRW 88 million | KRW 5.82 million + (24% of amount over KRW 46 million) |
| Over KRW 88 million & not over KRW 150 million | KRW 15.9 million + (35% of amount over KRW 88 million) |
| Over KRW 150 million & not over KRW 300 million | KRW 37.6 million + (38% of amount over KRW 150 million) |
| Over KRW 300 million & not over KRW 500 million | KRW 94.6 million + (40% of amount over KRW 300 million) |
| Over KRW 500 million & not over KRW 1 billion | KRW 174.6 million + (42% of amount over KRW 500 million) |

* When exceeding KRW 1 billion, the tax rate would be KRW 384.6 million + (45% of amount over KRW 1 billion)
→Local tax (10% of the income tax) is imposed separately

# Visa

A foreign investor who is an individual business owner can obtain International Trade (D-9) and Individual Enterprise (D-8-3) visas.

## 01. International Trade (D-9)

This visa is for foreigners who manage, trade and run commercial business.

- For an individual business owner who has introduced foreign capital at least KRW 300 million according to the Foreign Exchange Transactions Act, and registered business license.
- For an individual business owner who has introduced foreign capital at least KRW 300 million according to the Foreign Investment Promotion Act, and obtained certificate of foreign-invested company registration.

### ★ DOCUMENTS

**Change of Status of Sojourn and Alien Registration**

① Application form (Attached form no. 34 of the Enforcement Rules of the Immigration Act)
② Passport, color passport photo
③ Certificate of tuberculosis examination in the case of nationals of countries with high incidence of tuberculosis (confirmation issued by the local community health center)
(List of the country with high incidence of tuberculosis) Nepal, East Timor, Russia, Malaysia, Mongolia, Myanmar, Bangladesh, Vietnam, Srilanka, Uzbekistan, India, Indonesia, China, Cambodia, Kyrgyzstan, Thailand, Pakistan, Philippines, Laos
④ Copy of certificate of foreign-invested company registration
⑤ Copy of business license
⑥ Document certifying the place of residence (including real estate lease contract)
⑦ Office lease contract
⑧ Certificate of introduction of investment fund
- Permission (or declaration) to carry out foreign currency issued by the tax office or bank of the investor's home country (if applicable)
- Incoming remittance details (if transferred) or customs declaration (if carried out)
- Certificate of foreign exchange purchased

⑨ Certifications of sales (including results of import and export, if sales existed);
- Certification of completion of export declaration (import and export permit), certificate of VAT tax base
- Tax clearance certificate (VAT and income tax)
- Tax invoice

⑩ Bank account and a copy of its details of transaction
⑪ Document certifying expenditure of capital
- Receipt for purchase of goods
- Office interior design expense, etc.
- Withdrawal and deposit records of bank account in Korea

⑫ A color photo of office (photo of building, office space, signage, etc.)
⑬ Document certifying business experience in the relevant industry or field from home country (if necessary)

※ More or fewer documents may be required according to types of business and investment.



## 02. Individual Enterprise (D-8-3)

Eligible applicants are indispensable professional specialists who plan to engage in the field of manufacturing, technology or management, administration of a foreign- invested company run by a Korean national. The applicant should invest at least KRW 100 million in the company run by a Korean national, own at least 10% of the total investment amount, and be registered as co-representative with the Korean national on the business registration certificate. In addition, the capital invested by a Korean co-representative should also be at least KRW 100 million.

### IN DETAIL

**Requirements for Issuance**

- Persons employed in Korea are not included
- The person should be registered as a co-representative with a Korean national on the business registration certificate
- Capital invested by Korean co-representative should be at least KRW 100 million

### ★ DOCUMENTS

**Change of Status of Sojourn and Alien Registration**

① Application form (form no. 34 of the Enforcement Rules of the Immigration Act)
② Passport, color passport photo
③ Certificate of tuberculosis examination (confirmation issued by the local community health center) in the case of nationals of countries with high incidence of tuberculosis
④ Copy of certificate of foreign-invested company registration
⑤ Copy of business license
⑥ Original copy of contract of joint business
⑦ Document certifying the business fund from Korean joint business operator
⑧ Document certifying the place of residence (including real estate lease contract)
⑨ Copy of office lease contract
⑩ Document certifying introduction of investment funds
- Permission (or declaration) to carry out foreign currency issued by the tax office or bank of the investor's home country
- Incoming remittance details (if transferred) or customs declaration (if carried in)
- Certificate of purchasing of foreign currency

⑪ Document certifying sales record (results of import and export, etc. if sales existed)
- Certificate of completion of export declaration (import and export permit), certificate of value added tax

⑫ Copy of bank account with business dealings
⑬ Documents certifying expenditure of capital
- Purchase receipt for goods
- Office interior design expense, etc.
- Withdrawal and deposit records of incorporate bank book

⑭ Photograph (facade of building, office space, signboard of the company, etc.)
⑮ Document certifying business experience in the relevant industry or field (if necessary)

※ More or fewer documents may be required according to type of business and investment.

## Process of Business Closure

When a foreign-invested company closes or suspends business, the residual assets can be transferred to the home country through cancellation of authorization and permission, business registration, and foreign-invested company registration.

### 01. Cancellation of Authorization and Permission

Where registration of business, report of business, and authorization and permission of business are acquired by type of established business, business closure must be reported. The managing authority is a borough office of Si/Gun/Gu/Special self-governing province, local community health center in jurisdiction, and local ministry of food and drug safety where the authorization and permission has been initially issued.

### 02. Cancellation of Business Registration

When a business operator closes the registered business, the operator shall submit the declaration of business closure, without delay, to the head of the tax office (submission acceptable through national tax information network).

### 03. Cancellation of Foreign-Invested Company Registration

When a foreign-invested company closes its business, the foreign-invested company registration shall be cancelled. The delegated agency shall issue the confirmation of cancellation of foreign-invested company registration after completion of cancellation.

※ Refer to the Dissolution and Liquidation (p.192) for required documents when cancelling foreign-invested company registration.

### 04. Overseas Remittance

Collection of the residual assets and overseas remittance are guaranteed by the Foreign Investment Promotion Act.

**★ DOCUMENTS**

**Cancellation of Business Registration**

- Report of business suspension or closure (Attached form 9 of the Enforcement Rules of the Value Added Tax Act; Report on business suspension or closure)
- Original copy of business license / CEO's ID card

→ Ministry of Government Legislation ▶ Value Added Tax Act ▶ Attached form 9 of the Enforcement Rules of the Value Added Tax Act; Report on business suspension or closure

* Where an agent files an application: Power of attorney and the agent's identification (ID card)

**※ Contact: Officer in charge of VAT in the National Tax Service (126→2→2)**

**Overseas Remittance**

- Confirmation of cancellation of foreign-invested company registration/ Liquidation report certified by the CPA / Certificate of tax payment (issued by the tax office in jurisdiction) / Local tax clearance certification (issued by borough office of Si/Gun/Gu) / Certificate of deposit

* Where an agent requests remittance: Power of attorney and the agent's identification (ID card)

Individual Business

PART 2

# Acquisition of Real Estate

Acquisition Procedure and Required Documents
Remittance of Real Estate Transaction Funds

Real estate acquisition by foreigners in Korea is governed by the Act on Report of Real Estate Transactions, Etc., the Foreign Investment Promotion Act, the Foreign Exchange Transactions Act, Etc. With the exception of certain land that requires government permission, a foreigner may acquire real estate in Korea by reporting and the procedure, regulation and restriction on the acquisition shall not be different from those applied to a Korean national. In principle, the acquisition procedure includes a contract, payment, report and registration, but in the case of a foreign-invested company acquiring real estate, it differs from other procedures of acquisition by foreigners because notification of foreign investment and registration of a foreign-invested company is required. The payable amount for acquisition of real estate after due process shall be free to be remitted overseas. Taxes for acquisition of real estate include acquisition tax, property tax, and comprehensive real estate tax.

## Related Laws

| | Act on Report of Real Estate Transactions, Etc. | Foreign Investment Promotion Act | Foreign Exchange Transactions Act |
|---|---|---|---|
| Applicable parties | Foreign individuals, foreign corporations, domestic corporations with foreign shareholdings of 50% or more, foreign governments, international organizations, etc. | Foreign individuals, foreign corporations, permanent residents, international organizations for economic cooperation, etc. | Non-residents |
| Key regulations | Real estate acquisition notification: In the case of acquisition of domestic real estate by a foreigner | Foreign investment notification: In the case of a foreign investor's acquisition of domestic real estate through a foreign-invested company | Property acquisition notification: In the case of non-residents' acquisition of rights related to domestic real estate (right to lease on a deposit basis, mortgage, etc.) |
| Where to report | Si/Gun/Gu office having jurisdiction over the land | Foreign exchange bank, KOTRA | Foreign exchange bank |
| Reporting period | Within 30 days of concluding a contract | Prior to bringing in investment funds | When withdrawing real estate acquisition funds |
| Governing authority | The Ministry of Land, Infrastructure and Transport | The Ministry of Trade, Industry and Energy | The Ministry of Economy and Finance |



# Acquisition Procedure and Required Documents

## 01. Foreign-Invested Company

The Act on Report on Real Estate Transactions, Etc., the Foreign Investment Promotion Act, and the Registration of Real Estate Act shall be applied when a foreign-invested company acquires real estate to engage in profit-making activities in Korea.

01 Foreign investment notification and registration → 02 Real estate acquisition contract and payment → 03 Notification of land acquisition → 04 Real estate registration

① Notify and register the foreign investment at the head or branch office of a foreign exchange bank or KOTRA.

② Make payment after conclusion of real estate acquisition contract.

③ Report the land acquisition at the Si/Gun/Gu office having jurisdiction over the real estate concerned. The report shall be within 30 days of the date of contract conclusion and the required document is the real estate acquisition contract.

④ Register a transfer of ownership at the competent registry office within 60 days of the contract conclusion date or balance payment date.

**★ DOCUMENTS**

- Certified copy of branch office registration, an application for registration, documents certifying reasons for registration (approved contract, etc.), a registration certificate, and a certified copy of real estate registration.

* A power of attorney and an agent's ID card is required additionally in case of application by an agent

## 02. Resident Foreigners: Foreigners, Domestic Branches of a Foreign Corporation

The Act on Report of Real Estate Transactions, Etc., and Registration of Real Estate Act shall be applied when a resident foreigner acquires real estate in Korea.

01 Real estate acquisition contract and payment → 02 Notification of real estate acquisition → 03 Real estate registration

① Make the payment after conclusion of the real estate acquisition contract.

② Report the real estate acquisition at the Si/Gun/Gu office having jurisdiction over the real estate concerned. The report shall be made within 30 days of the date of contract conclusion and the required document is the real estate acquisition contract.

③ Register transfer of ownership at the competent registry office within 60 days of concluding contract or from the balance payment date.

★ **DOCUMENTS**

- **Certified copy of branch office registration** (individual: copy of alien registration card), **an application for registration, documents certifying reasons for registration** (approved contract, etc.), **a registration certificate, and a certified copy of real estate registration**

* A power of attorney and an agent's ID card is required additionally in case of application by an agent.



## 03. Non-Resident Foreigners

The Foreign Exchange Transaction Act, the Act on Report of Real Estate Transactions, Etc., and the Registration of Real Estate Act shall be applied when a non-resident foreigner acquires real estate in Korea.

01 Foreign investment notification and registration → 02 Notification of real estate acquisition → 03 Application for registration number for real estate registration → 04 Real estate registration

① Conclude the real estate acquisition contract.

② Make the payment for the real estate.

③ Notify the real estate acquisition to the head or branch office of a foreign exchange bank according to the Foreign Exchange Transactions Act when withdrawing real estate acquisition funds. Required documents are the real estate acquisition contract, real estate appraisal report or publicly notified land price certificate, and certified copy of real estate registration. The acquisition of rights to real estate (real right, right to lease, etc.) should be notified, as well, while the notification of acquisition of rights is required for further overseas remittance of the gains on disposal of the real estate.

④ Notify the real estate acquisition to the Si/Gun/Gu office having jurisdiction over the real estate concerned. The report shall be within 30 days of the date of contract conclusion and the required document is the real estate acquisition contract.

⑤ A registration number shall be assigned by the head of a local immigration office having jurisdiction over his/her place of residence (if he/she has no place of residence in Korea, the seat of the Supreme Court shall be deemed his/her place of residence). Required documents for individuals are certified copy of land acquisition report and copy of passport; besides the documents for corporations are certification of completion of land acquisition notification, corporate registration certificate and documents certifying the company's representatives and their addresses issued by authorities in the home country, etc. A power of attorney and an agent's ID card is required additionally in case of application by an agent. A registration of transfer of ownership shall be accepted at the competent registry office within 60 days of concluding the contract or from the balance payment date.

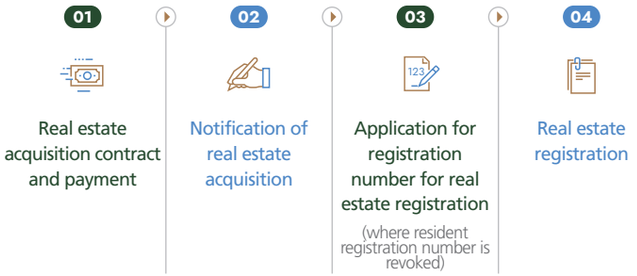
★ **DOCUMENTS**

- **Copy of corporate registration** (individual: copy of alien registration card), **an application for registration, documents certifying reasons for registration** (approved contract, etc.), **a registration certificate, and a certified copy of real estate registration**

* A power of attorney and an agent's ID card is required additionally in case of application by an agent.

## 04. Permanent Residents

Permanent residents overseas are treated equally as Korean nationals regardless of whether he/she resides in Korea. The Foreign Exchange Transaction Act, the Act on Report on Real Estate Transactions, Etc. and the Registration of Real Estate Act shall be applied when a permanent resident acquires real estate in Korea.




① Make payment after conclusion of the real estate acquisition contract.

② Report the land acquisition to the Si/Gun/Gu office having jurisdiction over the real estate concerned. The report shall be made within 30 days of the date of contract conclusion and the required document is the real estate acquisition contract.

③ If the resident registration number has been revoked, it is acceptable to make an application for registration with the registration number for real estate registration through the Seoul District Court. The required documents are the certificate of address*, certificate of residence or overseas Korean national registration card.

④ Register transfer of ownership at the competent registry office within 60 days of concluding the contract or from the balance payment date.

* Certificate of address: Certificate of overseas residency issued by a diplomatic mission abroad

**★ DOCUMENTS**

- **Certified copy of branch office registration** (individuals: copy of alien registration card), **application for registration, documents certifying reasons for registration** (approved contract, etc.), **registration certificate, certified copy of real estate registration.**

* A power of attorney and an agent's ID card is required additionally in case of application by the agent.



# Remittance of Real Estate Transaction Funds

## 01. Foreign-Invested Company

A foreign-invested company may remit funds only in the name of capital reductions, dividends or liquidated funds. A domestic branch may remit the funds as operating revenue or liquidated funds.

## 02. Resident Foreigner

Funds carried in or remitted from abroad require a notification to the head of a foreign exchange bank with documents certifying payment attached. However, the purchase of real estate from funds generated domestically requires a notification to the governor of the Bank of Korea.

## 03. Non-Resident Foreigner

Overseas remittance of gains from disposal of real estate is available with the notification documents for acquisition. However, if real estate acquisition had not been notified, notification should be made to the governor of the Bank of Korea.

Frequently Asked **Question & Answer**

**Q 01 Is a foreigner eligible for protection under the Housing Lease Protection Act?**

Even though it is not registered, if the lessee is provided with a house and completes resident registration, the lease shall take effect against any third person from the following day thereof. In such cases, the resident registration shall be deemed made at the time of reporting move-in. There is a Supreme Court decision that a foreigner can be protected in the same way as Korean nationals; it is said if a foreigner files alien registration and change of status of sojourn, it shall be deemed as a resident registration and report of move-in according to the Resident Registration Act.

**Q 02 Is it possible for a foreigner who is not residing in Korea with no alien registration certificate to purchase vacation facilities in Korea and transfer ownership registration?**

It is possible. In the case of foreigners without a place of residence in Korea, it is deemed that the foreigner has his/her residence at the location of the Supreme Court, and thus it is possible to apply for a registration number to the head of a local immigration office or regional immigration service in the jurisdiction of the Supreme Court.

**Q 03 As a foreign-invested company with a foreign investment ratio of 40%, our company acquired 10,000 ㎡ of land last year but didn't notify real estate acquisition by a foreigner. However, the company became a foreign-invested company with a foreign investment ratio of 100% by taking over all of the shares from the Korean partner this year. Does this result in a separate reporting obligation?**

According to Article 7 of the Act on Report on Real Estate Transactions, Etc., when a corporation which possesses any real estate, etc., within the territory of the Republic of Korea and was incorporated under the statutes of the Republic of Korea changes nationality, and if the relevant foreigner intends to possess the relevant real estate continuously, the foreigner shall file a report thereon with the report-receiving authority within six months from the date of change to the foreigner. It also should be reported when a national of the Republic of Korea who possesses any real estate changes his/her nationality, regardless of acquisition of real estate.

# 05

CORPORATE
BUSINESS

# Appendix

- [Appendix 1] Businesses Prohibited from Foreign Investment (pursuant to Article 4)
- [Appendix 2] Business Restricted from Foreign Investment and Criteria for Permission (pursuant to Article 5)
- [Appendix 3] Local Tax Rate
- [Appendix 4] List of Delegated Agencies
- [Appendix 5] List of Law Firms
- [Appendix 6] List of Accounting and Tax Accounting Firms

## [Appendix 1] Businesses Prohibited from Foreign Investment (pursuant to Article 4)

| KSIC | Line of Business | Ministry in Charge |
|---|---|---|
| 61100 | Mail business | Ministry of Science and ICT |
| 64110 | Central bank | Ministry of Strategy and Finance |
| 64912 | Development and Financial Institutions<br>※ The Korea Development Bank and the Export-Import Bank of Korea under special Acts | Ministry of Strategy and Finance Financial Services Commission |
| 65301 | Private mutual aid business | Competent Ministry |
| 65302 | Industrial mutual aid business | Competent Ministry |
| 65303 | Pension business | Competent Ministry |
| 66110 | Financial market management business | Financial Services Commission |
| 66199 | Other financial support service business<br>※ Other financial support service business, other than financial instrument exchange service, such as promissory note exchange business, is eligible for foreign investment. | Ministry of Strategy and Finance Financial Services Commission |
| 84111 | Law making organ | - |
| 84112 | Central supreme executive organ | - |
| 84114 | Financial and economic policy administration | Competent Ministry |
| 84119 | Other general public administration | Ministry of the Interior and Safety |
| 84120 | General administrative assistance in government agencies | Ministry of the Interior and Safety |
| 84211 | Educational administration | Ministry of Education |
| 84212 | Cultural and tourism administration | Ministry of Culture, Sports and Tourism |
| 84213 | Environmental administration | Ministry of Environment |
| 84214 | Health and welfare administration | Ministry of Health and Welfare |
| 84219 | Other social service management administration | Competent Ministry |
| 84221 | Labor administration | Ministry of Employment and Labor |
| 84222 | Agricultural, forestry and fisheries administration | Ministry of Agriculture, Food and Rural Affairs, Ministry of Oceans and Fisheries |
| 84223 | Construction and transportation administration | Ministry of Land, Infrastructure and Transport, Ministry of Oceans and Fisheries |
| 84224 | Correspondence administration | Ministry of Science and ICT |
| 84229 | Administration promoting other industries | Ministry of Trade, Industry and Energy |
| 84310 | Diplomatic administration | Ministry of Foreign Affairs |
| 84320 | National defense administration | Ministry of National Defense |
| 84401 | Court | - |
| 84402 | Prosecution | Ministry of Justice |
| 84403 | Correctional institutions<br>※ Privately-managed correctional institutions are eligible for foreign investment as the Act on the Establishment and Operation of Private Correctional Institutions, etc. entered into force in July 2001. | Ministry of Justice |
| 84404 | Police | Ministry of the Interior and Safety |
| 84405 | Fire stations | Ministry of the Interior and Safety |

| KSIC | Line of Business | Ministry in Charge |
|---|---|---|
| 84409 | Other judicial and public order administration | Competent Ministry |
| 84500 | Social security administration | Ministry of Health and Welfare |
| 85110 | Child education institutes | Ministry of Education |
| 85120 | Elementary schools | Ministry of Education |
| 85211 | Middle schools | Ministry of Education |
| 85212 | General high schools | Ministry of Education |
| 85221 | Commercial high schools and information industry high schools | Ministry of Education |
| 85222 | Technical high schools | Ministry of Education |
| 85229 | Other technical high schools and vocational high schools | Ministry of Education |
| 85301 | Junior colleges | Ministry of Education |
| 85302 | Universities and colleges | Ministry of Education |
| 85303 | Graduate schools | Ministry of Education |
| 85410 | Special-education schools | Ministry of Education |
| 85630 | Social education facilities<br>※ Lifelong education facilities (in the form of distance education, facilities affiliated with a business place, civil society organizations, schools, or mass media organizations, or facilities related to knowledge and human resource development business) for adults, the purpose of which is not to recognize scholarship or grant a diploma, is eligible for foreign investment. | Ministry of Education |
| 85699 | Other unclassified educational institutions<br>※ Private teaching institutes under the Act on the Establishment and Operation of Private Teaching Institutes and Extracurricular Lessons among other unclassified educational institutions are eligible for foreign investment. | Ministry of Education |
| 90131 | Performing artists | Ministry of Culture, Sports and Tourism |
| 90132 | Non-performing artists | Ministry of Culture, Sports and Tourism |
| 94110 | Industrial organizations | Competent Ministry |
| 94120 | Professional organizations | Competent Ministry |
| 94200 | Labor unions | Ministry of Employment and Labor |
| 94911 | Buddhist organizations | Ministry of Culture, Sports and Tourism |
| 94912 | Christian organizations | Ministry of Culture, Sports and Tourism |
| 94913 | Catholic organizations | Ministry of Culture, Sports and Tourism |
| 94914 | Ethnic religious organizations | Ministry of Culture, Sports and Tourism |
| 94919 | Other religious organizations | Ministry of Culture, Sports and Tourism |
| 94920 | Political organizations | - |
| 94931 | Environmental movement organizations | Ministry of Environment |
| 94939 | Other citizen campaign organizations | Competent Ministry |
| 94990 | Other associations and organizations | Competent Ministry |
| 99001 | Foreign diplomatic missions in Korea | Ministry of Foreign Affairs |
| 99009 | Other international and foreign institutions | Ministry of Foreign Affairs |

## [Appendix 2] Business Restricted from Foreign Investment and Criteria for Permission (pursuant to Article 5)

| KSIC | Type of Business | Criteria for Permission | Ministry in Charge |
|---|---|---|---|
| 01110 | Grains and other food crop growing business | Permitted, except for cultivation of rice and barley. | Ministry of Agriculture, Food and Rural Affairs |
| 01212 | Beef cattle raising business | Permitted if foreign investment ratio is below 50%. | Ministry of Agriculture, Food and Rural Affairs |
| 20129 | Other basic inorganic chemical manufacturing business | Permitted, except for business of manufacturing and supplying fuel for nuclear power generation. | Ministry of Trade, Industry and Energy |
| 24219 | Other nonferrous metal smelting and refining business and alloy manufacturing business | Same criteria as for permission of other basic inorganic chemical manufacturing business. | Ministry of Trade, Industry and Energy |
| 35111 | Nuclear power generation business | <Not opened > | Ministry of Trade, Industry and Energy |
| 35112 | Hydroelectric power generation business | Total generation units to be purchased by foreigners from Korea Electric Power Corporation shall not exceed 30% of total domestic generation units.<br>※ Permitted only in case of Korea Electric Power Corporation (including the affiliated company) purchasing it. | Ministry of Trade, Industry and Energy |
| 35113 | Thermal power generation business | | |
| 35114 | Solar power generation business | | |
| 35119 | Other power generation business | | |
| 35120 | Power transmission and distribution business | Permitted only in following cases:<br>1. Foreign investment ratio shall be below 50%;<br>2. Number of stocks with voting rights, etc. held by foreign investors shall be below that of the domestic largest stockholder.<br>※ Only electric sales business in accordance with Electric Utility Act is permitted. | Ministry of Trade, Industry and Energy |
| 35130 | Electric sales business | | |
| 38240 | Business of collecting transporting and disposing of radioactive wastes | Permitted except for radioactive waste management business prescribed in Article 9 of the Radioactive Waste Management Act. | Ministry of Trade, Industry and Energy |
| 46313 | Meat wholesale business | Permitted if foreign investment ratio is below 50%. | Ministry of Agriculture, Food and Rural Affairs |
| 50121 | Coast-wise passenger transport business | Permitted if all of the following requirements are met:<br>1. Permissible objects: passenger or cargo transport between North and South Korea;<br>2. The business shall be performed jointly with a shipping company of the Republic of Korea;<br>3. Foreign investment ratio shall be less than 50%. | Ministry of Oceans and Fisheries |
| 50122 | Coast-wise cargo transport business | Same criteria as for permission of coast-wise passenger transport business. | Ministry of Oceans and Fisheries |
| 51 | International air transport business | Permitted if foreign investment ratio is below 50% | Ministry of Land, Infrastructure and Transport |
| 51 | Domestic air transport business | | |
| 51 | Small-scale air transport business | | |
| 58121 | Newspaper publishing business | Permitted if foreign investment ratio is below 50%<br>(Permitted if, in cases of a daily newspaper, its foreign investment ratio is below 30%) | Ministry of Land, Infrastructure and Transport |
| 58122 | Magazine and Periodical publishing business | Permitted if foreign investment ratio is below 50%. | Ministry of Land, Infrastructure and Transport |
| 60100 | Radio broadcasting business | <Not opened > | Korea Communications Commission |
| 60210 | Terrestrial broadcasting business | <Not opened > | Korea Communications Commission |
| 60221 | Program-providing business | Permitted if foreign investment ratio does not exceed 49% (Provided that a program provider engaged in general programming shall be permitted if foreign investment ratio does not exceed 20%, and a program provider engaged in specialized programming of news reports shall be permitted if foreign investment ratio does not exceed 10%).<br>※ Program providing business shall refer to the program providing business under the Broadcasting Act.<br>※ Provided that, in cases of program-providing business operators for internet multimedia broadcast services, exclusive of the persons who engage in general programming, specialized programming of new reports, or specialized programming of the introduction and sale of products, a corporation shall not be deemed as a fictitious corporation under Article 14 (1) 3 of the Broadcasting Act, the stocks or equity shares of which are owned by the government or an organization or national of the other partner state of the free trade agreement (the FTA between the Republic of Korea and the United States of America; the FTA between the Republic of Korea, of the One Part, and the European Union and Its Member States, of the Other Part; the FTA between the Republic of Korea and Canada; and the FTA between the Republic of Korea and Australia) which is determined and publicly announced by the Minister of Science and ICT, among the free trade agreements in effect concluded, bilaterally or multilaterally, by the Republic of Korea with Foreign States. (refer to the text of the relevant free trade agreement for details) | Ministry of Science and ICT Korea Communications Commission |
| 60222 | Cable broadcasting business | CATV broadcasting business shall be permitted if foreign investment ratio is does not exceed 49% (Provided, That CATV relay broadcasting business shall be permitted if foreign investment ratio does not exceed 20%). | Ministry of Science and ICT |
| 60229 | Wire communication business | Permitted if foreign investment ratio does not exceed 49% (Provided, That an Internet multimedia broadcasting contents business operator engaged in general programming or specialized programming of news reports shall be permitted if foreign investment ratio does not exceed 20%).<br>※ Provided That, in cases of content business operators for internet multimedia broadcast services, exclusive of the persons who engage in general programming, specialized programming of new reports, or specializedprogramming of the introduction and sale of products, a corporation the stocks or equity shares of which is owned by the government or an organization or national of the other partner state of the free trade agreement (the FTA between the Republic of Korea and the United States of America; the FTA between the Republic of Korea, of the One Part, and the European Union and Its Member States, of the Other Part; the FTA between the Republic of Korea and Canada; and the FTA between the Republic of Korea and Australia) which is determined and publicly announced by the Minister of Science and ICT, among the free trade agreements in effect concluded, bilaterally or multilaterally, by the Republic of Korea with Foreign States, shall not be deemed as a fictitious corporation under Article 9 (2) 3 of the Internet Multimedia Broadcast Services Act (refer to the text of the relevant free trade agreement for details) | Ministry of Science and ICT |
| 61210 | Radio communication and Satellite communication business | Permitted if the total stocks (limited to the stock with voting rights and including depositary receipts and other things equivalent to stocks with voting rights) held by foreign governments or foreigners (including foreign fictitious corporations) dose not exceed 49/100 of total issued stocks (Provided, That although no foreigner, etc. shall be allowed to become the largest stockholder of KT, permission shall be granted if he/ she holds less than 5/100 of total stocks).<br>※ Foreign fictitious corporation: A corporation whose largest stockholder is a foreign government or foreigner (including special persons concerned under Article 9 (1) 1 of the Financial Investment Services and Capital Markets Act) who holds more than 15/100 of the total issued stocks thereof.<br>※ Provided That, there shall not be deemed as a foreigner a corporation considered unlikely to impair public interests by the Minister of Science and ICT as a result of an examination on public benefits under Article 10 of the Telecommunications Business Act, which is a fictitious corporation of a national of other partner state of any free trade Agreement (the FTA between the Republic of Korea and the United States of America; the FTA between the Republic of Korea, of the One Part, and the European Union and Its Member States, of the Other Part; the FTA between the Republic of Korea and Canada; and the FTA between the Republic of Korea and Australia) which is determined and publicly announced by the Minister of Science and ICT, among the free trade agreements in effect concluded, bilaterally or multilaterally, by the Republic of Korea with Foreign States. (refer to the text of the relevant free trade agreement for details) | Ministry of Science and ICT |
| 61220 | Radio communication and Satellite communication business | Same criteria as for permission of wire communication business | Ministry of Science and ICT |
| 61299 | Other electric communication business | Same criteria as for permission of wire communication business (Provided, That no restriction is imposed on value-added communication business.) | Ministry of Science and ICT |
| 63910 | News providing business | Permitted if foreign investment ratio is below 25% | Ministry of Culture, Sports and Tourism |
| 64121 | Domestic banks | Only permitted except for National Agricultural Cooperative Federation (Finance) and the National Federation of Fisheries Cooperatives (Finance) in accordance with Agricultural Cooperative Act. | Ministry of Agriculture, Food and Rural Affairs Ministry of Oceans and Fisheries Financial Services Commission |

## [Appendix 3] Local Tax Rate

| Taxes | Taxable object | | | Tax rate | |
|---|---|---|---|---|---|
| Acquisition tax | Acquisition of real estate, vehicles, etc. | | | General tax rate: 2.8%, 3.5%, 4.0%, etc.<br>Acquisition for value (Houses): 1.0% ~ 3.0%, 4.0% (4 houses)<br>Heavy-taxation rate : 2.8%, 4.4%, 8.0%, 8.4%, etc. | |
| Local consumption tax | Value Added Tax (National tax) | | | 21% of the VAT payable amount<br>Distribution of weights by region in the final consumption expenditure index by private sector | |
| Local income tax | Global income, Retirement income | | | 6/1,000 ~ 42/1,000 | |
| | Capital gains | | | 6/1,000 ~ 42/1,000, 10/1,000~70/1,000 | |
| | Corporate income | | | 10/1,000 ~ 25/1,000 | |
| | Extraordinary collection | | | 10/100 of the income tax | |
| Residence tax | Per capita portion | Individual · Corporation | | Individual (KRW 10,000 or less; KRW 50,000 for individuals with a business),<br>Corporation (KRW 50,000 to 500,000) | |
| | Pro rata property portion | Total floor area of a place of business (over 330 ㎡) | | KRW 250 per 1 ㎡ | |
| | Employee portion | Total amount of wages (Over 50 employees) | | 0.5% of the total amount of wages | |
| Automobile tax | Possession | Passenger automobiles | | KRW 80~200 per 1cc /year | |
| | | Automobiles for passengers and freight | Freight automobiles | KRW 25,000 to 115,000 | KRW 6,600 to 157,500 |
| | Driving | Traffic · energy · environment (National tax) | | 36% of traffic tax (flexible tax rate 26%, Sep 5, 2021) | |
| Tabacco consumption tax (cigarette, pipe) | | | | KRW 1,007 per 20 cigarettes (1 carton) | |
| Leisure tax | Bycicle racing, rowing racing, horse racing, traditional bullfight | | | 10% of betting tickets | |
| Local resource and facility tax | Certain facility | Buildings, ships | | 0.04~0.12% of the property amount | |
| | Certain resource | Underground water, water for power generation | | KRW 20 per 1 ㎥ of underground water,<br>KRW 2 per 10 ㎥ of water for power generation | |
| Local education tax | Acquisition tax, registration tax(register), leisure tax, residence tax per capita, property tax, automobile tax, tabacco consumption tax | | | 20% (except for 20% of acquisition), 20%, 40%, 25%, 20%, 30%, 50% | |
| Property tax | Property tax | Buildings, houses, land, ships, airplanes | | Houses: 0.1, 0.15, 0.25, 0.4%<br>Buildings: 0.25%<br>Comprehensive land: 0.2, 0.3, 0.5%<br>Separation: 0.2, 0.3, 0.4% Divided: 0.07%~4% | |
| | Urban areas | Land, buildings, houses | | 0.14% of the tax base for land, etc. in accordance with the Article 110 | |
| Registration and license tax | Registration | Real estate | | Preservation (0.8%), Transfer (1.5%, 2.0%), Establishment (0.2%) | |
| | | Ships | | Preservation (0.02%), Others (KRW 15 thousand per each) | |
| | | Automobiles | | Registration of ownership<br>(5% for nonbusiness use, 2% for small car) | |
| | | Mechanical equipment | | Registration of ownership (1%), Establishment (0.2%), Others (KRW 10 thousand) | |
| | | Corporation registration | | Profit making: Establishment (0.4%), Capital Increase (0.4%)<br>Non-profit making: Establishment (0.2%), Investment increase (0.2%) | |
| | License | License for authorization and permission | | KRW 4.5 thousand ~ KRW 67.5 thousand | |



## [Appendix 4] List of Delegated Agencies

| Custodian Bank | Department | Phone No. | ZIP | Address |
|---|---|---|---|---|
| Kyongnam Bank | International Business Dept. | 055-290-8495 | [51316] | (Kyongnam Bank, International Business Dept.) 642, 3·15-daero, Masanhoewon-gu, Changwon |
| Kwangju Bank | International Trade Business Office | 062-239-6555 | [61470] | (Kwangju Bank, International Trade Business Office) 225, Jebong-ro, Dong-gu, Gwangju |
| KB Kookmin Bank | FI Business Dept. | 02-2073-8956 | [07331] | (KB Kookmin Bank, FI Business Dept.) 11F, 26 International Finance Road 8-gil, Yeongdeungpo-gu, Seoul |
| Industrial Bank of Korea | Global Customer Team | 02-2031-5630 | [04538] | (Industrial Bank of Korea, Global Customer Team) 82, Eulji-ro, Jung-gu, Seoul |
| NH Bank | Remittance Service Team | 02-2131-1611 | [03142] | (NH Bank, Remittance Service Team) 14F, A-dong, 6, Yulgok-ro, Jongno-gu, Seoul |
| The Bank of New York Mellon Corporation | Corporate Trust | 02-6137-0360 | [07326] | (The Bank of New York Mellon Corporation) 29F, One IFC, 10, Gukjegeumyung-ro, Yeongdeungpo-gu, Seoul |
| Daegu Bank | International Business Dept. | 053-740-2946 | [42123] | (Daegu Bank,International Business Dept.) 2310, Dalgubeol-daero, Suseong-gu, Daegu |
| Deutsche Bank | Global Cash Operations | 02-724-4281 | [03180] | (Deutsche Bank) 18F, Youngpoong Bldg., (Seorin-dong) 41, Cheonggyecheon-ro, Jongno-gu, Seoul |
| DBS Bank | Customer Service Dept. | 02-6322-2661 | [04520] | (DBS Bank.) 18F, Seoul Finance Center, 136, Taepyeongno 1(il)-ga, Jung-gu, Seoul |
| Sumitomo Mitsui Banking Corporation | Overseas Remittance Group | 02-6364-7262 | [04539] | (Sumitomo Mitsui Banking Corporation) 12F, Mirae Asset Center 1, West Tower, 26, Eulji-ro 5-gil, Jung- gu, Seoul |
| Mizuho Corporate Bank | GCBS Team | 02-3782-8690 | [04520] | (Mizuho Corporate Bank Seoul Branch) 19F, 136, Sejong-daero, Jung-gu, Seoul |
| Landesbank Baden-Württemberg (LBBW) | Operation | 02-6730-0142 | [04520] | (Landesbank Baden-Württemberg) 14F, 136, Sejong-daero, Jung-gu, Seoul |
| Bank of America (BOA) | Corporate Support Dept. | 02-788-1760 | [04520] | (Bank of America) 27F, Seoul Finance Center, 136, Sejong-daero, Jung-gu, Seoul |
| Busan Bank | International Business Dept. | 051-661-4665 | [48400] | (Busan Bank Headquaters, International Business Dept.) 15F, 30, Munhyeongeumyung-ro, Nam-gu, Busan |
| BNP Paribas | Cash and Loan | 02-317-1929 | [04631] | (BNP Paribas) 24F, State Tower Namsan, 100, Toegye-ro, Jung-gu, Seoul |
| Korea Development Bank | Trade Finance Dept. | 02-787-7521 | [07242] | (Korea Development Bank, Trade Finance Dept.) 14, Eunhaeng-ro, Yeongdeungpo-gu, Seoul |
| Societe Generale (SG) | Operations | 02-2195-7820 | [03155] | (Societe Generale) 23F, D Tower D1, 17, Jongro 3-gil, Jongno-gu, Seoul |
| Suhyup Bank | Global Banking Dept. | 02-2240-2605 | [05510] | (Suhyup Bank, Global Banking Dept.) 62, Ogeum-ro, Songpa-gu, Seoul |

| Custodian Bank | Department | Phone No. | ZIP | Address |
|---|---|---|---|---|
| Shinhan Bank | Foreign Exchange Investment Dept. | 02-2151-2872 | [04513] | (Shinhan Bank, Foreign Exchange Investment Dept.) 20, Sejong-daero 9-gil, Seoul |
| ING Bank | Settlements Dept. | 02-317-1849 | [04520] | (ING Bank) 11F, Seoul Finance Center, 136, Sejong-daero, Jungno-gu, Seoul |
| Yamaguchi Bank ltd Busan Branch | Operation Team | 051-462-3281 | [48931] | (Yamaguchi Bank ltd Pusan Branch) 4F, 63, Jungang-daero, Jung-gu, Busan |
| The Bank of Tokyo- Mitsubishi UFJ, Ltd. | Remittance Dept. | 02-399-6413 | [03188] | (The Bank of Tokyo-Mitsubishi UFJ, Ltd., Seoul Branch.) 7F, Youngpoong Bldg, 41, Cheonggyecheono-ro, Jongno-gu, Seoul |
| Woori Bank | Seoul Global Investment Center | 02-3789-1899 | [06611] | (Woori Bank, Seoul Global Investment Center) 2F, Gangnam Kyobo Tower, 465, Gangnam-daero, Seocho-gu, Seoul |
| Jeonbuk Bank | International Banking Team | 02-751-2489 | [07327] | 3F, JB Financial Group Bldg., 77, Yeouinaru-ro, Yeongdeungpo-gu, Seoul |
| JP Morgan Chase | TS Operation | 02-758-5232 | [04516] | (JP Morgan Chase, Seoul Branch) J.P. Morgan Plaza, 35, Seosomun-ro 11-gil, Jung-gu, Seoul |
| Jeju Bank | Treasury Office | 064-720-0267 | [63192] | 90, Ohyeon-gil, Jeju-si, Jeju-do |
| China Construction Bank | Operations | 02-6730-3611 | [04538] | (China Construction Bank) 24, Myeong-dong 11-gil, Jung-gu, Seoul |
| Industrial and Commercial Bank of China Limited | Banking Dept. | 02-3788-6617 | [04514] | (Industrial and Commercial Bank of China Limited) 1F, Taepyeongno Bldg., 73, Sejong-daero, Jung-gu, Seoul |
| China Everbright Bank | Operations | 02-3788-3790 | [03188] | (China Everbright Bank) 23F Yeongpoong Bldg., 41 Cheonggyecheon-ro, Jongno-gu, Seoul |
| Bank of Communications | Accounting & Operating | 02-2022-6837 | [04523] | (Bank of Communications, Seoul Branch) 29, Eulji-ro, Jung-gu, Seoul |
| Bank of China | Banking Dept. | 02-399-6699 | [03188] | (Bank of China) 1F, 41, Cheonggyecheon-ro, Jongno-gu, Seoul |
| Credit Agricole Corporate & Investment Bank | Domestic Operations | 02-3700-9632 | [03154] | (Credit Agricole Corporate & Investment Bank) 21F, Kyobo Bldg., 1, Jong-ro, Jongno-gu, Seoul |
| Standard Chartered Bank | Cash operations | 02-3702-3393 | [03160] | (Standard Chartered Bank, Cash operations) 47, Jong-ro, Jongno-gu, Seoul |
| Citibank Korea | Jungang City Service Center | 02-3455-2676 | [04521] | (Citibank Korea) 24, Cheonggyecheon-ro, Jung- gu, Seoul |
| Australia and New Zealand Banking Group | Operations | 02-3700-3143 | [03154] | (Australia and New Zealand Banking Group) 22F, Kyobo Bldg., 1, Jong-ro, Jongno-gu, Seoul |
| The Hongkong and Shanghai Banking Corporation | SD Operations | 02-2004-0100 | [04511] | (The Hongkong and Shanghai Banking Corporation) 37, Chilpae-ro, Jung-gu, Seoul |
| KEB Hana Bank | Global Capital Transaction Center | 02-2002-2325 | [04538] | (KEB Hana Bank, Global Capital Transaction Center.) B1, 66, Eulji-ro, Jung-gu, Seoul |



## [Appendix 5] List of Law Firms

| Name | Representative | Address | Number of attorneys | Attorneys by practice | Languages spoken | Practices performed | Phone No. |
|---|---|---|---|---|---|---|---|
| Kim & Chang | Kyung Taek JUNG | 39 Sajikro-8-gil, Jongno-gu, Seoul | 1,100 | Sang Hyuk PARK | English, Korean | Mergers & Acquisitions, Antitrust & Competition, Corporate Investigations & White Collar Defense, Litigation, Europe, Technology, Media & Telecommunications, Corporate Governance & Shareholder Disputes, Anti-Corruption & Corporate Compliance, International Practice, Germany, Game, Resort & Entertainment, Hong Kong, Foreign Direct Investment, France and French Speaking Countries, Corporate Finance, Shareholder Activism | 82 2-3703-1783 |
| | | | | Kyungsun Kyle CHOI | | Environment, Health, Anti-Corruption & Corporate Compliance, Technology, Media & Telecommunications, Product Liability & Consumer Claims, Mergers & Acquisitions, Corporate Internal and Government Investigation, Europe, Foreign Direct Investment, Corporate Governance & Shareholder Disputes, Germany, COVID-19 Task Force | 82 2-3703-1119 |
| | | | | Kyung Yoon LEE | | Mergers & Acquisitions, Corporate Governance & Shareholder Disputes, Banking, Foreign Direct Investment, International Practice, Private Equity, Technology, Media & Telecommunications, Corporate Financing | 82 2-3703-1181 |
| | | | | Gene-Oh (Gene) KIM | | Foreign Direct Investment, Mergers & Acquisitions, Antitrust & Competition, Distribution & Franchise, Corporate Governance, Corporate Investigations, Cross Border Disputes, Europe Practice(France and French Speaking Countries, Germany, etc.) | 82 2-3703-1261 |
| | | | | Young Min LEE | | Private Equity, Mergers & Acquisitions, Real Estate, Corporate Governance & Shareholder Disputes, Antitrust & Competition, Europe, Germany, Corporate Financing, Foreign Direct Investment | 82 2-3703-1406 |
| | | | | Hyo Sang KIM | | Antitrust & Competition, Mergers & Acquisitions, Real Estate, Germany, Technology, Media & Telecommunications, Insolvency & Restructuring, Foreign Direct Investment, Game, Resort & Entertainment | 82 2-3703-1409 |
| | | | | John Sangho PARK | | Energy, Mergers & Acquisitions, Project Finance, International Practice | 82 2-3703-1747 |

| Name | Representative | Address | Number of attorneys | Attorneys by practice | Languages spoken | Practices performed | Phone No. |
|---|---|---|---|---|---|---|---|
| Kim & Chang | Kyung Taek JUNG | 39 Sajikro-8-gil, Jongno-gu, Seoul | 1,100 | Yeo Min YOON | Korean, English, Japanese | Japan, Antitrust & Competition, Mergers & Acquisitions | 02-3703-1766 |
| | | | | Jeung Jun PARK | German, Korean, English, French | Corporate, Mergers & Acquisitions, Foreign Direct Investment, Aerospace & Defense, Labor & Employment, Real Estate & Construction, Germany, Europe | 02-3703-1153 |
| | | | | Won-Tak CHOI | Korean, Chinese, English | China, Foreign Direct Investment, Mergers & Acquisitions, Labor & Employment | 02-3703-1925 |
| Neulpoom | Seonghun Cheon | 2nd floor, 104 Banpodae-ro, Seocho-gu, Seoul | 8 | Seonghun Cheon | English | Vietnam Embassy Official VISA Services Provider, Visa & Immigration Services, Translation, Notarization, Litigations (civil, criminal, labor cases, etc.) Foreign Investment, Incorporation, Legal Counseling, Review of International Business Contracts, Foreign Exchange (declaration, permit, etc.), Legal Advice on Legal Risk Management, Investment Counseling, Legal Review | 02-725-3003 |
| | | | | Eugene Kim | | | |
| | | | | Jihyuck Choi | | | |
| | | | | Seungwook Lee | English, Vietnamese, Chinese, French, Spanish | General in Foreign Investment and Incorporation, Visa and Immigration related Counseling | 1899-8190 |
| Daeho | Donghyeon Seok, Suhan Choi | 6th floor, 191 Teheran-ro, Gangnam-gu, Seoul | 18 | Donghyeon Seok | English, Chinese | Visa and immigration related counseling | 02-568-5200 |
| | | | | Dongwook Shin | English | Subsidiary companies, branches, joint-venture founding, advice on foreign exchange provisions, tax benefits for foreign invested companies, tax advice, stock transfer, etc. M&A related advice, management support service, advice to foreign invested companies | |
| | | | | Dongbeon Yim | Japanese | | |
| North Far East | Sinho Kim | 416 West Bldg., 15 Court-ro, Seocho-gu, Seoul | 9 | Sinho Kim | Chinese | Mutual investment between Korea and China, business M&A, legal and investment counseling | 02-596-8111 |
| | | | | Kyeongjae Lee | English | Legal and investment counseling | |
| | | | | Yunseok Jang | | | |
| Landmark LLC. | Jaehun Kim | 21st floor, 147 Teheran-ro, Gangnam-gu, Seoul | 30 | Jaehun Kim | English | Business M&A, corporate investment, legal and tax counseling | 02-533-7979 |
| | | | | Hyeongjun Yu | | | |
| | | | | Hyoseon Park | | | |
| | | | | Junbyeong Chae | Japanese | Corporate, tax, civil and criminal cases | |
| | | | | Wusik Choi | English | Corporate, tax, civil and criminal, labor cases | |



| Name | Representative | Address | Number of attorneys | Attorneys by practice | Languages spoken | Practices performed | Phone No. |
|---|---|---|---|---|---|---|---|
| Landmark LLC. | Jaehun Kim | 21st floor, 147 Teheran-ro, Gangnam-gu, Seoul | 30 | Wonwu Choi | English | Corporate, tax, civil and criminal, labor cases | 02-533-7979 |
| | | | | Hunhee Cho | | | |
| | | | | Sohyeon Lee | Chinese | Business M&A, corporate investment, legal and tax counseling | |
| | | | | Wanjin Ahn | | | |
| | | | | Geonhwa Ju | | | |
| Logos LLC. | Seongguk Yang, Mugyeom Kim | 3, Teheran-ro 87-gil, Seoul (8th, 14th and 16th floor), Gangnam-gu, Seoul | 115 | Duhyeon Ryu | English | Overseas business, joint venture | 02-2188-1014 |
| | | | | Yunseok Byeon | | Foreign direct investment, corporate law, business M&A | 02-2188-1017 |
| | | | | Hanna Lee | | International transactions, overseas business, international arbitration | 02-2188-2836 |
| | | | | Jeongyeol Park | | Business M&A, foreign direct investment, overseas business | 02-2188-2837 |
| | | | | Munju Ki | | Medical, labor law | 02-2188-1050 |
| | | | | Hyeongmin Yim | Chinese | Corporate law, foreign direct investment in Korea by Chinese businesses | 02-2188-1025 |
| | | | | Jeongae Han | Japanese | Corporate law, bankruptcy, foreign direct investment in Korea by Japanese businesses | 02-2188-2831<br>02-3477-8500 |
| Lin | Jinseok Lim | 10th floor, 347 Seocho-daero, Seocho-gu, Seoul | 77 | Jin Seok LIM | English, Japanese | Finance, International Transactions, M&A | 02-3477-3003 |
| | | | | Hyun Sang YOUN | English | M&A, Private Equity Fund, international trade, international disputes | |
| | | | | Milosz Zurkowski | English, Polish | HR and Employment Law, Bankruptcy/Restructuring, Asset Management | |
| | | | | Ji Eun PARK | English | Taxation, International Taxation, General Corporate Law | |
| | | | | Hye Kyung Christy LIM | | Alternative Dispute Resolution, Energy and Infrascture, International Contract, M&A | |
| | | 2nd floor, 27, Seochojungang-ro 24-gil, Seocho-gu, Seoul | | Hark Hun KIM | English | Business Take-Over & Mergers, Private Equity Fund, Hostile M&A, Fair Trade, Corporate Restructuring, International Trade and Trade Remedies, Foreign Investment in Korea, Overseas Investment, Vietnam | 02-3477-8686 |
| | | | | Min Soo KANG | | Corporate tax adjustment, tasks relating to reassessment requests and tax disputes | |
| | | | | Seong Soo KIM | English, Japanese | Project Development & Finance, Contract Dispute, EPC, General Corporate, Oil & Gas, M&A | |
| | | | | Su Cheol NOH | English | International Criminal Cases, International and Domestic Arbitration | |

| Name | Representative | Address | Number of attorneys | Attorneys by practice | Languages spoken | Practices performed | Phone no. |
|---|---|---|---|---|---|---|---|
| Lin | Jinseok Lim | 2nd floor, 27, Seochojungang-ro 24-gil, Seocho-gu, Seoul | 77 | Kyung Hee PARK | English | Mobility, Blockchain/ICO, Regulatory Sandbox, Personal Data Protection | 02-3477-8686 |
| | | | | Young Jae SHIN | | General Corporate, M&A, Finance, PEF, Labor, Intellectual Property, Tax and Litigation | |
| | | | | Chang Ha Brian YOO | | Data privacy, Fintech, Healthcare, e-Commerce, Antitrust, M&A, Investment, Business alliance, Corporate law | |
| | | | | Yoon Suh LEE | | Banking, Finance, Over-the-counter derivatives, Internal control/compliance | |
| | | | | Sung Yong CHAE | | Corporate Counseling, M&A, Financial Investment, Corporate Governance, Shareholder Disputes, International Legal Affairs | |
| | | | | Yong Gap KIM | English, Japanese | Intellectual Property Rights, Fair Trade, Japanese | |
| | | | | Hyun Yoon CHOI | English, Japanese , spanish | bankruptcy, Foreign investment, Intellectual Property Rights, Japanese | |
| BAE, KIM & LEE LLC | Dongwoo Seo | 26 Ujeongguk-ro, Jongno-gu, Seoul 03161, Korea | 720 | Il KANG | Korean, English | Antitrust & Competition, Merger Filings, Antitrust Investigations & Litigations, Intellectual Property, White Collar Criminal Defense, E-Commerce, Automobile & Mobility, Europe, China, Southeast Asia | 02-3404-0689 |
| | | | | Han Kang | | Mergers & Acquisitions, Corporate, Foreign Direct Investment, Outbound Investment, Private Equity, Corporate, Governance & Shareholder Disputes | 02-3404-0651 |
| | | | | Kyungseok (KS) KIM | | Mergers & Acquisitions, Private Equity, Foreign Direct Investment, Outbound Investment, Corporate | 02-3404-0283 |
| | | | | Mok H. KIM | Korean, English, Chinese | Corporate, Mergers & Acquisitions, Chian | 02-3404-0460 |
| | | | | Banghyun KIM | Korean, English | Corporate, Mergers & Acquisitions, Private Equity, Foreign Direct Investment, Outbound Investment, Corporate & M&A Litigation, Financial Companies, Financial Regulation | 02-3404-6539 |
| | | | | Brandon BANG | | Arbitration & Cross-Border Litigation, International Arbitration, Cross-Border Litigation, Energy & Infrastructure, Construction, Insurance, Entertainment, Sports & Game, Southeast Asia, Europe, Middle East & Africa | 02-3404-0278 |



| Name | Representative | Address | Number of attorneys | Attorneys by practice | Languages spoken | Practices performed | Phone no. |
|---|---|---|---|---|---|---|---|
| BAE, KIM & LEE LLC | Dongwoo Seo | 26 Ujeongguk-ro, Jongno-gu, Seoul 03161, Korea | 720 | Jung Hwan BAE | Korean, English, Japanese | Corporate, Mergers & Acquisitions, Japan, Foreign Direct Investment, Anti-Corruption & Compliance | 02-3404-0662 |
| | | | | Ji Young BAE | Korean, English | Middle East & Africa, Outbound Investment, Corporate, Mergers & Acquisitions, Bankruptcy & Corporate, Restructuring, Anti-Money Laundering, Construction, Energy & Infrastructure, Healthcare & Life Sciences, Intellectual Property, Emerging Companies, E-Commerce | 02-3404-6935 |
| | | | | Eric Eunyong YANG | | Outbound Investment, Southeast Asia, Mergers & Acquisitions, Arbitration & Cross-Border Litigation, Energy & Infrastructure, Anti-Corruption & Compliance, Construction, Corporate | 02-3404-0670 |
| | | | | Jung Min Jo | | Healthcare & Life Sciences, Corporate, Mergers & Acquisitions, Foreign Direct Investment, Emerging Companies, Outbound Investment, Anti-Corruption & Compliance, Data Protection & Privacy, China | 02-3404-0167 |
| | | | | Yong Quan CHI | Korean, English, Chinese | China, Mergers & Acquisitions, Corporate, Foreign Direct Investment, Outbound Investment, Capital Markets, Finance, Government Relations, Customs & International Trade, Occupational Safety·Serious Accident | 02-3404-0245 |
| Byeori | Injung Kim, Sujeong Lee | 3rd and 4th floor, 8 Beonyeong-ro 70-gil (Suyeong-dong), Mangmi-dong, Suyeong-gu, Busan | 5 | Sujeong Lee | English, Japanese | Incorporation, finance, dispute mediation | 051-782-9226 |
| | | | | Jiyeong Kim | English | | |
| Sanwu LLC. | Jeonghyeok Yim | Hub 1 Bldg., 7th floor, 33 Seocho-daero 48-gil, Seocho-gu, Seoul | 14 | Hayeong Mun | French | General | 02-584-5533 |
| | | | | Hajin Kim | English | Legal counseling, incorporation in Korea, JV, overseas investment, M&A, international arbitration, international business, business advice | |
| Seoul Law Group | Aaron Hwang | 16th floor, Gangnam Bldg., 396 Seocho-daero, Seocho-gu, Seoul | 4 | Aaron Hwang | English | Foreign Investment, Incorporation, Immigration, Labor, Criminal | 02-318-2554 |
| | | | | Tessy Choi | | Contract drafting and review, Compliance, Administrative | |
| Yangheon | Euijae Kim, Seongjun Choi, Suchang Kim, Kyeongjun Choi | 25th floor, 55 Sejong-daero, Jung-gu, Seoul | 45 | Yeonjeong Chae | English | Foreign direct investment, incorporation or branch founding in Korea, declaration of foreign direct investment, foreign exchange transactions, M&A | 02-397-9840 |

| Name | Representative | Address | Number of attorneys | Attorneys by practice | Languages spoken | Practices performed | Phone no. |
|---|---|---|---|---|---|---|---|
| Yangheon | Euijae Kim, Seongjun Choi, Suchang Kim, Kyeongjun Choi | 25th floor, 55 Sejong-daero, Jung-gu, Seoul | 45 | Seokjin Yim | English, Japanese | JV, overseas investment, M&A, overseas advancement by Korean businesses | 02-397-9878 |
| | | | | Juhyeok Yun | English | Corporate counseling in general, M&A, labor litigation and arbitration | 02-397-9842 |
| Weon LLC. | Geumsil Kang, Kiwon Yun | 11th floor 308 Gangnam-daero, Kangnam-gu, Seoul | 53 | Gwangsu Lee | English | M&A, bankruptcy, reorganization, issuance of securities, IPO | 02-3019-2895 |
| | | | | Hyojun Park | | Business advance in general, M&A, international investment and transactions, EPC projects, international litigation and arbitration, international trade, compliance | 02-3019-5455 |
| | | | | Changhyeon Cheon | | Corporate law in general (business advice in general, M&A, bankruptcy, reorganization), construction, real properties (real property financing, project financing) | 02-3019-2894 |
| | | | | Hyeono Choi | | Finance, securities (structured financing, derivatives), international legal service, construction, real properties (real property financing, project financing) | 02-3019-2893 |
| | | | | Yeongju Lee | | Corporate law (incorporation, investment advice, contract review), international legal service | 02-3019-5455 |
| Yulchon LLC. | Seokhun Kang | 38th floor Parnas Tower, 521 Teheran- ro, Gangnam-gu, Seoul | 395 | Moritz Winkler | English, German | Overseas business, Europe, business M&A, intellectual property rights, labor, international litigation and arbitration, automobile, Latin America, Seoul Europe | 02-528-5483 |
| | | | | Sugu Kang | English, Vietnamese | Corporate law, finance, bank, finance in general, overseas, Vietnam/Southeast Asia | 02-528-5561 |
| | | | | Yunjae Baek | English | International litigation and arbitration, corporate law and finance, M&A, corporate governance, construction, lease financing (aircraft), international trade | 02-528-5473 |
| | | | | Wungjae Byeon | English, Chinese | Corporate law, finance, overseas investment, China, environment | 02-528-5797 |
| | | | | Dongchan Shin | English | Middle East, overseas investment, M&A, international litigation and arbitration | 02-528-5356 |
| | | | | Sujeong Lee | | Labor | 02-528-5246 |
| | | | | Seungmok Lee | | IR, fraudulent transaction, trademark, business secret, copyright (including computer program), patent/utility model, IP Risk Management(IP compliance), survey and evaluation of intellectual property rights licensing, overseas dispute management | 02-528-5942 |



| Name | Representative | Address | Number of attorneys | Attorneys by practice | Languages spoken | Practices performed | Phone no. |
|---|---|---|---|---|---|---|---|
| Yulchon LLC. | Seokhun Kang | 38th floor Parnas Tower, 521 Teheran- ro, Gangnam-gu, Seoul | 395 | Seungbeom Lee | English, Japanese | M&A, business internal investigation, fair trading, Japan, automobile | 02-528-5091 |
| | | | | Taehyeok Lee | English | Corporate law, finance, M&A, overseas investment (Indonesia, etc.), finance in general, fund, PE | 02-528-5512 |
| | | | | Hyeonggi Lee | English, French | M&A, bankruptcy, business restructuring, insurance, financial service permit or licensing, financial regulations, corporate governance | 02-528-5885 |
| | | | | Hongbae Lee | English, Vietnamese | Overseas investment, Vietnam, Southeast Asia, real properties, construction, overseas real property development, construction, plant project, corporate law, finance, M&A | +94-4-3837-8200 |
| | | | | Hwajun Lee | English, Russian | Overseas investment, M&A, international litigation and arbitration, environment, energy, real properties, Russia/CIS, North Korea | 02-528-5519 |
| | | | | Mintaek Yim | English, Arabic | Indonesia, Southeast Asia, Middle East, overseas real property development, construction, plant project, overseas legal service, corporate law, finance, M&A | 02-528-5406 |
| | | | | Sehun Jeong | English | M&A, fair trading, fair trading related disputes, broadcasting and communications, medical and pharmaceutical | 02-528-5923 |
| | | | | Hyeoncheol Cho | English, French | M&A, overseas investment, France, luxury products | 02-528-5958 |
| | | | | Yonghwan Choi | English, Japanese | International tax, tax disputes | 02-528-5709 |
| | | | | Chungin Choi | English, Korea, Japanese, Spanish | Corporate law, finance, M&A, culture business, fund, PE, project financing, corporate governance, capital market, environment, energy, advice on real properties, sports/entertainment, overseas disputes | 02-528-5073 |
| Yigong | Jinmin Heo | 3rd floor, 98 Banpodae-ro, Seocho-gu, Seoul | 5 | Duwung Kang | English | Review of international business contracts, legal advice on legal risk management, investment counseling, M&A legal review (M&A, Escrow, Funding Agreement, Due Diligence Report, etc.), foreign direct investment under the Foreign Investment Promotion Act, foreign exchange (declaration, permit, etc.), incorporation in Korea and overseas | 02-2038-3620 |
| | | | | Jimin Heo | | Review of international business contracts, legal advice on legal risk management, investment counseling, M&A legal review (escrow, funding agreement, due diligence report, etc.) | |

| Name | Representative | Address | Number of attorneys | Attorneys by practice | Languages spoken | Practices performed | Phone no. |
|---|---|---|---|---|---|---|---|
| Yigong | Jinmin Heo | 3rd floor, 98 Banpodae-ro, Seocho-gu, Seoul | 5 | Hongseok Yang | English | Incorporation in Korea and overseas | 02-2038-3620 |
| | | | | Yeongmin Hwang | | Advice on investment, M&A legal review (escrow, funding agreement, due diligence report, etc.) | |
| | | | | Seonhyu Kim | | Foreign direct investment under the Foreign Investment Promotion Act, foreign exchange (declaration, permit, etc.) | |
| Yihu | Jonggeon Lee | 20th floor Aju Bldg., 201 Teheran-ro, Gangnam-gu, Seoul | 13 | Jonggeon Lee | English, Chinese | Overseas direct investment, foreigners' investment in Korea, due diligence of local and overseas businesses, M&A, international transactions, private equity, collective investment, corporate law in Korea, China, and USA | 010-7134-2198 |
| | | | | Gweonyeong Ryu | English | Legal due diligence of businesses home and abroad, intellectual property rights, copyright, fund and other collective investment, corporate law in Korea, China, and USA | 010-7143-0882 |
| | | | | Eunseong Baek | | Overseas direct investment, foreigners' investment in Korea, due diligence of local and overseas businesses, M&A, international transactions, private equity, collective investment, corporate law in Korea, China, and USA | 010-3271-7740 |
| | | | | Nakhyeon Kwon | | Due diligence of local and overseas businesses, intellectual property rights, copyright, international transactions, M&A | 010-3271-7740 |
| Inhwa Kukje | Juhwan Hwang | 8th floor, 18, Beobwon-ro 32-gil, Yeonje-gu, Busan (Narae Town Bldg., Geoje-dong) | 3 | Juhan Hwang | English | Various civil and criminal litigation, contracts, investment consulting | 051-503-0037 |
| | | | | Hyeonjeong Seong | | | |
| | | | | Jeongwon Song | | | |
| Jipyeong LLC. | Gonghyeon Lee, Jihyeong Kim, Yeongtae Yang, Seongtaek Yim | 10th floor, KT&G Seodaemun Tower, 60 Chungjeong-ro, Seodaemun-gu, Seoul | 243 | Cheol Jeong | English | M&A, business law, international transactions, resources, energy, infrastructure, China, Myanmar | 02-6200-1753 |
| | | | | Hyejeong Ryu | English, Russian | M&A, energy, resources, infrastructure, business in general, overseas investment, overseas construction, government contracts, Russia, Central Asia | 02-6200-1722 |
| | | | | Jeongsik Choi | English, Chinese | M&A, HR, labor law, tax, China, foreign direct investment international litigation and arbitration | 02-6200-1785 |



| Name | Representative | Address | Number of attorneys | Attorneys by practice | Languages spoken | Practices performed | Phone no. |
|---|---|---|---|---|---|---|---|
| Jipyeong LLC. | Gonghyeon Lee, Jihyeong Kim, Yeongtae Yang, Seongtaek Yim | 10th floor, KT&G Seodaemun Tower, 60 Chungjeong-ro, Seodaemun-gu, Seoul | 243 | Junhee Seo | English, Japanese | M&A, business in general, bio, pharmaceutical, medical, health care, entertainment,sports, leisure, new technology, new industry, Myanmar | 02-6200-1763 |
| | | | | Jenny Kim | English | M&A, foreign investment, financial company M&A, overseas expansion, structured finance, acquisition finance, fair trade | 02-6200-1771 |
| | | | | Hun Lee | | Foreign direct investment (incorporation, equity investment, JV, etc.), business in general (including labor), energy, resources, infrastructure, overseas construction | 02-6200-1851 |
| | | | | Chungwuk Noh | | M&A, business in general, foreign direct investment, overseas investment, finance, securities, PEF, HF, USA, India, Philippines | |
| | | | | Sanghee Lee | | business in general, foreign direct investment, intellectual property rights (including research agreements), overseas construction, Technology, Media&Telecommunications | 02-6200-1793 |
| | | | | Okrim Kim | English, Chinese, Japanese | M&A, business in general, foreign direct investment, China | 02-6200-1718 |
| K&P | Taejin Kim | #2901, Bldg. B, 323 Incheon Tower-daero, Yeonsu-gu, Incheon | 5 | Taejin Kim | English | Legal counseling, civil, criminal, foreign direct investment and incorporation | 032-864-8300 |
| Time | Hyeongwu Lee | #407, 286 Seocho-daero, Seocho-gu, Seoul | 3 | Hyeongwu Lee | English | Contract, tax | 02-583-7203 |
| Hwawu LLC. | Jinsu Jeong | 18, 19, 22, 23, 34 floors, ASEM Tower, 517 Yeongdong-daero, Gangnam-gu, Seoul | 420 | Seungbok Nah | Chinese | China, investment between Korea/China, IPO, M&A, overseas investment, general business counseling, foreign direct investment, private equity fund, financial regulations, compliance, supervisory agency audit or investigation, capital market, asset management, etc. | 02-6003-7137 |
| | | | | Hanchil Kim | Russian | Russia, CIS, Europe, M&A, overseas investment, foreign direct investment, financial regulation and compliance, bank, financial holding company, general business counseling, etc. | 02-6003-7524 |
| | | | | Jihun Cha | English | Overseas investment/outbound M&A, project financing, international arbitration and litigation, Southeast Asia | 02-6182-8373 |

| Name | Representative | Address | Number of attorneys | Attorneys by practice | Languages spoken | Practices performed | Phone no. |
|---|---|---|---|---|---|---|---|
| Hwawu LLC. | Jinsu Jeong | 18, 19, 22, 23, 34 floors, ASEM Tower, 517 Yeongdong-daero, Gangnam-gu, Seoul | 420 | Sunggi Lee | English | Europe, Southeast Asia, Russia, CIS, M&A, corporate governance, bankruptcy, rehabilitation, overseas investment, finance, financial disputes, supervisory agency audit or investigation, compliance, broadcasting, information, communications, energy, resources, North Korea, etc. | 02-6003-7519 |
| | | | | Gweonhoe Kim | | Europe, Southeast Asia, Russia, CIS, Japan, China, overseas investment, foreign direct investment, international trade and commerce, general business counseling, M&A, structured financing, international arbitration and litigation, etc. | 02-6003-7566 |
| | | | | Junwu Lee | | Southeast Asia, investment between Korea and Vietnam, finance, mediation, Japan, China, Russia, CIS, Europe, finance, private equity funds, foreign direct investment, overseas investment, project financing, entertainment, sports, international arbitration and litigation, general business counseling, etc. | 02-6003-7527 |
| | | | | Hwangrim Jang | | Southeast Asia, asset management, M&A, finance, private equity fund, foreign direct investment, insurance, non-bank financial companies, bank, financial holding company, general business counseling, capital market, project financing, North Korea, etc. | 02-6003-7594 |
| | | | | Haewang Jeong | Japanese | Japan, investment between Korea and Japan, JV, commercial lawsuits, marine, aviation, general business counseling | 02-6003-7567 |
| | | | | Dongoh Hong | English | Intellectual property rights, Japan, financial regulation, compliance, M&A, bank, financial holding company, general business counseling | 02-6003-7549 |
| | | | | Wonhyeong Kim | | Japan, M&A, business counseling, foreign direct investment, capital market regulation, asset management, project financing, private equity fund, insurance, etc. | 02-6003-7531 |
| | | | | Seongwun Kang | | IPO, China, finance, private equity fund, capital market regulation, foreign direct investment, financial regulation, compliance, aviation, Southeast Asia, etc. | 02-6003-7591 |



| Name | Representative | Address | Number of attorneys | Attorneys by practice | Languages spoken | Practices performed | Phone no. |
|---|---|---|---|---|---|---|---|
| White & Case | Jihun Hong | 31 floor, One IFC, 10 International Finance-ro, Yeongdeung po- gu, Seoul | 5 | Jihun Hong | English | Finance, structured financing | 02-6138-8816 |
| | | | | Dongho Lee | | M&A, private equity fund | 02-6138-8811 |
| | | | | Wonseon Jeong | | Business counseling, M&A | 02-6138-8812 |
| | | | | Sera Park | | Project development, finance | 02-6138-8820 |
| | | | | Saebyeol Jeon | | Commerce, litigation, disputes | 02-6138-8817 |
| Hankyeol LLC. | Kyeongwu Lee, Byeongyong Ahn, Sik Ahn | 16th floor, Kyobo Life Bldg., 1 Jong-ro, Jongro-gu, Seoul | 62 | Jehyeok Lee | English | Overseas investment, M&A, finance, international litigation and arbitration, foreign direct investment | 02-3458-0980 |
| | | | | Gucheol Jeong | Chinese | Foreign law counseling (China), investment in China, M&A, real property investment, intellectual property rights, entertainer management, private equity fund, international litigation and arbitration | 02-3458-9401 |
| | | | | Suin Yun | English, Japanese | Foreign direct investment, M&A, business general, international transactions, litigation and arbitration | 02-3458-0983 |
| | | | | Sangwon Yun | English | Overseas investment, M&A, finance, JV, foreign direct investment, intellectual property rights | 02-3458-0947 |
| Opes | Hyemi Song | 22, Beobwon-ro 1-gil, Seocho-gu, Seoul, 4F Opes | 4 | Hyemi Song | English, Japanese, Chinese, French | Branch founding service, legal counseling, contract review, litigation service | 010-8277-2024 |
| | | | | Hyeonseon Park | | | |
| | | | | Heeah Eom | | | |
| Kyeongnam | Hansu Nah | Tax accounting firm Kyeongnam, 3rd floor, Hanma Bldg., 93 Chasang-ro 150- gil, Euichang-gu, Changwon | 5 | Seon-gwi Yun | English | Management of overseas subsidiary founded by Korean companies overseas, tax accounting and consulting for local companies operated by foreigners | 055-277-0113 |

## [Appendix 6] List of Accounting and Tax Accounting Firms

| Name | Representative | Address | Number of attorneys/ accountants | Attorneys/ accountants by practice | Languages spoken | Practices performed | Phone no. |
|---|---|---|---|---|---|---|---|
| Gwanggaeto Jongro branch | Mihee Yim | 213 Doosan Pavilion, 81 Sambong-ro, Jongro-gu, Seoul | 6 | Mihee Yim | English | Bookkeeping, assistance to incorporation in Korea, risk review and response to tax audit | 02-3288-3676 |
| Gwangjang Lee & Goh | Junseok Kim | 6th floor, 9, National Assembly Road 74-gil, Yeongdeungpo-gu, Seoul | 7 | Junseok Kim | English, Chinese | Bookkeeping of multinational corporation home and abroad (including tax withholding), preparation of transfer pricing reports, service for tax audit | 02-2672-2637 |
| Global tax accounting | Ahyeong Jeong | #505, Bldg. A, Hyoseong Jewelry City, 183 Jongro, Jongro-gu, Seoul | 3 | Ahyeong Jeong | English, Japanese | Import and export of local and foreign businesses, withholding tax return by foreign invested companies, taxpayer registration and consulting service, financial report and tax returns by foreign companies, etc. | 02-2279-7777 |
| Nuri | Cheolhoon Kim | #505, Munjeong beobjo-Plaza, 96, Beobwon-Ro, Songpa-Gu, SEOUL, KOREA | 3 | Cheolhoon Kim | English, Japanese | International taxation, founding of corporations overseas, foreign invested companies, tax return service for non-residents | 02-6436-3000 |
| Dasan | Hwanyeol Ryu | 6th floor, 23, Yeoksam-ro 98- gil, Gangnam-gu, Seoul | 83 | Jongnam Ahn | English | Founding of liaison, branch offices, corporations in Korea, payroll service, bookkeeping, cash management, tax audit, tax return service (fixed business place, transfer price, tax price | 02-531-7472 |
| | | | | Seongyong Song | Japanese | | 02-531-7458 |
| Daemaek | Jeongmin Seo | A-1212, 406 Teheran-ro, Gangnam-gu, Seoul | 3 | Jeongmin Seo | Japanese | Incorporation by investment in kind, tax audit, real estate corporation (REIT), construction, entry into Korean market by foreign companies, tax consulting, tax service for individuals and corporations | 02-568-5833 |
| Daewon | Yeongjung Kang | 2nd floor, Korea Customs Brokers Assn Bldg. Nonhyeon-dong, 20, Eonju-ro 129-gil, Kangnam-gu, Seoul | 12 | Seonggweon Cho, Seongwu Yun, Taehyeon Park, Kiyeong Yun | English | International tax related consulting, transfer pricing report, review of withholding tax returns in Korea, founding of foreign direct invested companies, tax adjustment | 02-3016-3806 |
| Dong-A & Song-Kang | Chang-ha Park, Byoung-gon Park | #408, 4th floor, 221, Gangnam-daero, Seocho-gu, Seoul | 64 | Kitae Park | English | Business Establishment, Inbound/ outbound audit, IPO, Transfer pricing, Outsorcing, (Tax compliance & payroll), EOR, M&A, Due diligence, International/ domestic tax advisory | 02-3014-6004 |
| | | | | Alex Yun | | Business Establishment, Inbound/ outbound audit, IPO, Transfer pricing, Outsorcing, (Tax compliance & payroll), EOR, M&A, Due diligence, International/ domestic tax advisory | 02-3014-6006 |
| | | | | Miseong Park | Chinese/ English | Business Establishment, Inbound/ outbound audit, IPO, Transfer pricing, Outsorcing, (Tax compliance & payroll), EOR, M&A, Due diligence, International/ domestic tax advisory | 02-3014-6014 |
| | | | | Jay Kim | English | Business Establishment, Inbound/ outbound audit, IPO, Transfer pricing, Outsorcing, (Tax compliance & payroll), EOR, M&A, Due diligence, International/ domestic tax advisory | 02-3014-6067 |
| | | | | Laangsuh Lee | | Business Establishment, Inbound/ outbound audit, IPO, Transfer pricing, Outsorcing, (Tax compliance & payroll), EOR, M&A, Due diligence, International/ domestic tax advisory | 02-3014-6066 |
| | | | | Youngsub Yi | | Business Establishment, Inbound/ outbound audit, IPO, Transfer pricing, Outsorcing, (Tax compliance & payroll), EOR, M&A, Due diligence, International/ domestic tax advisory | 02-3014-6010 |
| | | | | Hyojoon Choi | | Business Establishment, Inbound/ outbound audit, IPO, Transfer pricing, Outsorcing, (Tax compliance & payroll), EOR, M&A, Due diligence, International/ domestic tax advisory | 02-3014-6068 |
| | | | | Eunkyo Jung | Japanese | Business Establishment, Inbound/ outbound audit, IPO, Transfer pricing, Outsorcing, (Tax compliance & payroll), EOR, M&A, Due diligence, International/ domestic tax advisory | 02-6387-3340 |
| Lian | Sangeun Lee | 8th floor, 209 Seocho-Jungang- ro, Seocho-gu, Seoul | 50 | Euihaeng Cho | English | Counseling on foreign direct investment to enter Korean market, founding of liaison or branch office, subsidiary corporation, liquidation, deployment of accounting system of foreign invested companies, home office financial reporting (K-GAAP, IFRS), bookkeeping and tax returns, advice (corporate tax, VAT, international taxes, transfer pricing), HR outsourcing (payroll computing, returns, payment service), cash management | 02-537-1807 |

| Name | Representative | Address | Number of attorneys/ accountants | Attorneys/ accountants by practice | Languages spoken | Practices performed | Phone no. |
|---|---|---|---|---|---|---|---|
| Mazars Sebit Korea | Seungha Park | 19th floor, Yongsan The Prime (Business Bldg.) 11 Wonhyo-ro 90-gil, Yongsan-gu, Seoul 04315 | 28 | Seungha Park | English | Tax & Accounting | 02-3438-2406 |
| | | | | Yeong Heo | | | 02-3438-2403 |
| | | | | Jeongmin Lee | | Audit, FAS | 02-3438-2441 |
| | | | | Gyutaek Shim | | | 02-3438-2442 |
| | | | | Julian HERVEAU | French, English | Accounting outsourcing services | 02-3438-2431 |
| | | | | Seon-Yeong Kim | English | | 02-3438-2452 |
| | | | | Julia Botche | German, English | | 02-3438-2556 |
| | | | | Jiwon Shim | Japanese | | 02-3438-2563 |
| Bomyeong | Changyeol Lee | 2nd floor, 40, Sumi-ro 14beon-gil, Suyeong-gu, Busan | 13 | Changyeol Lee | English | Financial audit, internal audit, due diligence, advice on M&A | 051-328-8328 |
| B&H | Sanghun Baek | 10th West Bldg., Mirae Asset Center One, 26 Eulji-ro 5-gil, Jung-gu, Seoul | 22 | Sanghun Baek | English | Transfer price, offshore tax evasion, overseas bank accounts, MAP, APA, tax audit, BEPS, claim of adjustment, objection to tax imposed, inquiry on standing regulations, amendment to statutes, advice on M&A, etc. | 02-6030-8520 |
| Samdeok | Kim Myung Chul | S&S Bldg., 48 Wujeongguk-ro, Jongno-gu, Seoul | 441 | Gweonjeong Choi | English | •Support to founding of subsidiary, branch, liaison office, and declaration of fixed business place<br>•Payroll service<br>•Bookkeeping and preparation of financial report package<br>•Adjustment of corporate and personal income tax<br>•Advice on M&A, dividend, tax and accounting<br>•Support office services | 02-397-6744 |
| | | | | Jeonghun Ha | | Financial audit, valuation, due diligence, preparation of financial report package | 02-397-6744 |
| Samwu S&TA | Daegyu Lee | Room 902, Sinsong Bldg., 67 Yeoinaru-ro, Yeongdeungpo-gu, Seoul (Yeoido-dong) | 5 | Junho Kyeong | Japanese | •Various counseling service for entry into Korean market by foreign companies, tax related service (corporate and personal tax, VAT, etc. returns, consulting on international taxes)<br>•accounting related services (bookkeeping, financial statements, and preparation of financial reports)<br>•payroll service (computing and remittance of pay, withholding tax returns, year-end settlement, four major insurance related service), etc. | 02-3215-1300 |



| Name | Representative | Address | Number of attorneys/ accountants | Attorneys/ accountants by practice | Languages spoken | Practices performed | Phone no. |
|---|---|---|---|---|---|---|---|
| Samil | Hunsu Yun | 100 Hangang-daero, Yongsan-gu, Seoul | 2,450 | Steven Kang (Chanyeong Kang) | English | Inbound Audit and IPO Servies | 02-709-4788 |
| | | | | Daniel Fertig | | Inbound Audit and Other Accounting Services | 02-709-8714 |
| | | | | Yongwuk Jeon | Chinese | China and SE Asia Audit and Accounting Services | 02-709-7982 |
| | | | | Henry An (Ikheung An) | English | Inbound Tax | 02-3781-2594 |
| | | | | Robert Browell | | Inbound Tax | 02-709-8896 |
| | | | | Youngju Kim | | Transfer Pricing | 02-709-4098 |
| | | | | Daejun Park | | Private Equity/ Valuation | 02-709-8938 |
| | | | | Steven Jeong (Seungmin Jeong) | | Corporate Finance3 | 02-3781-2551 |
| | | | | Jeonghun Lee | | Transaction Services/ FDD | 02-3781-9544 |
| Seonghyeon | Geunseo Park | 9th floor, Haesung Building 2, 508 Teheran-ro, Gangnam-gu, Seoul | 85 | Minjae Lee | English | Tax advise (fixed business place and review of transfer price), financial audit, due diligence, application for occupancy of foreign direct investment zones, application service of advanced technology business, etc. | 02-513-0208 |
| | | | | Yeongah Park | | Founding service of and advice on liaison office, branch, and local subsidiary corporation, HR outsourcing (payroll), corporate accounting (bookkeeping), tax returns (corporate tax, VAT returns), tax advice (fixed business place, withholding of personal and corporate tax) | 02-513-0278 |
| | | | | Taeil Goh | | Founding service of and advice on liaison office, branch) local subsidiary corporation, HR outsourcing (payroll), corporate accounting (bookkeeping service), corporate accounting (bookkeeping), tax returns (corporate tax, VAT returns, etc.), tax advice (fixed business place, review of transfer price), financial audit, due diligence | 051-460-4723 |
| | | | | Hyeyun Kim | | HR outsourcing (payroll), corporate accounting (bookkeeping service), tax returns (corporate tax, VAT returns, etc.), financial audit, due diligence, etc. | 051-460-4710 |
| Shinhwa | Sang Hun, kwak | 8/9th floor, 86 Teheran-ro 15-gil, Gangnam-gu, Seoul | 25 | Yunki Yang | English | M&A advice, due diligence, other advice | 02-561-7181 |
| | | | | Gwangsu Kim | Japanese | Incorporation, bookkeeping, tax advice, financial audit | 02-553-7956 |
| | | | | Taeil Jang | | M&A advice, due diligence, other advice | 02-555-9211 |

| Name | Representative | Address | Number of attorneys/ accountants | Attorneys/ accountants by practice | Languages spoken | Practices performed | Phone no. |
|---|---|---|---|---|---|---|---|
| Anjin | Jongseong Hong | 9th floor, Seoul IFC One, 10 International Finance-ro, Yeongdeungpo-gu, Seoul | 1,010 | Ho Young Heo | English | Financial audit, accounting advice, due diligence of financial service companies, advice on M&A, etc. | 02-6676-1180 |
| | | | | Tae Jin Jo | | Financial audit, accounting advice, due diligence of financial service companies, advice on M&A, etc. | 02-6676-3322 |
| | | | | Hyung Nam Lee | | Financial audit of banking institutions, overall coordination of entry into Korea (advice on IFRS, accounting, consulting on M&A, etc.) | 02-6676-1268 |
| | | | | Sun Hee Gong | | Financial audit of banking institutions, deployment of internal control system, US GAAP/IFRS, conversion of financial statements, accounting consulting | 02-6676-1264 |
| | | | | Sung Ho Park | | Review and advice on deployment of internal control system (SOX), US GAAP/IFRS, financial due diligence | 02-6676-3160 |
| | | | | Sun Hee Lee | | Consulting on M&A, due diligence, other financial advice, financial audit (specialized in foreign direct invested companies), due diligence of overseas funds, finance related statutes, other counseling | 02-6676-3224 |
| | | | | Jun Ho Jang | | Consulting on M&A, due diligence, other financial advice, financial audit (specialized in foreign direct invested companies), due diligence of overseas funds, finance related statutes, other counseling | 02-6676-1613 |
| | | | | Jihoon Yoo | | Financial audit (specialized in foreign direct invested companies), IPO audit and consulting, advice on accounting related to internal control | 02-6676-3124 |
| | | | | Dong Hyun Lee | | Accounting PMI (support to and advice on closing, policy education, etc.), checking of contract performance based on agreed-on procedures (cost verification, etc.) internal audit co-sourcing, US-SOX self-test service, physical inventory service | 02-6676-3125 |
| | | | | Young Jae Kim | | Financial audit, due diligence | 02-6676-1689 |
| | | | | Hui Hwan Jeong | | M&A consulting, due diligence | 02-6676-1690 |
| | | | | Jung Wook Seo | | IFRS audit and advice, due diligence, advice and overall coordination of entry into Korean market | 02-6676-1871 |
| | | | | Ki Young Na | | Financial audit (IFRS, K-GAAP), M&A advice, consulting or advice on other financial issues, internal control, overall coordination of entry into Korea | 02-6676-1530 |
| | | | | Seung Hee Hwang | | Due diligence, overall coordination of entry into Korea | 02-6676-1642 |
| | | | | Byung Moon Yoo | | US GAAP and IFRS audit and consulting, due diligence, internal control SOX related accounting advice | 02-6676-1546 |
| | | | | Ho Gye Choi | | US GAAP and IFRS audit and consulting, due diligence, internal control SOX related accounting advice | 02-6676-3227 |
| | | | | Ki Hyeon Kim | | Financial audit, accounting advice, due diligence (exclusive of financial service companies), advice or consulting on M&A | 02-6676-1397 |
| Oseong | Seokhyeong Lee | 9th floor, 109 Teheran-ro, Gangnam-gu, Seoul | 13 | Seokhyeong Lee | English | Overall coordination of foreign direct investment, financial audit, M&A consulting, due diligence, tax consulting | 02-2631-1230 |
| | | | | Wi Yeong | | Declaration of foreign direct investment, founding of local corporation, branch, and liaison office, advice on entry into Korea by foreign companies, legal counseling | |
| | | | | Keontae Kim | | Founding of local corporation directly invested by foreigners, outsourcing of tax accounting of foreign companies in English-speaking countries, payroll service, four major insurance management, service for VAT and corporate tax returns, financial report to home office, financial management | |
| | | | | Juhyeon Park | | | |
| | | | | Jinwuk Lee | | | |
| | | | | Sunwon Lee | | | |
| | | | | Jeongeun Kim | | | |
| | | | | Yeongryeon Park | Chinese | Founding of local corporation directly invested by foreigners, outsourcing of tax accounting of foreign companies in Chinese-speaking countries, payroll service, four major insurance management, service for VAT and corporate tax returns, financial report to home office, financial management | |
| | | | | Joyeong | Chinese, English | Founding of local corporation directly invested by foreigners, outsourcing of tax accounting of foreign companies in Chinese-speaking countries, payroll service, four major insurance management, service for VAT and corporate tax returns, financial report to home office, financial management | |
| | | | | Junrin Cha | Chinese | | |
| | | | | Masao Yumiko | Japanese | Founding of local corporation directly invested by foreigners, outsourcing of tax accounting of foreign companies in Japanese countries, payroll service, four major insurance management, service for VAT and corporate tax returns, financial report to home office, financial management | |

| Name | Representative | Address | Number of attorneys/ accountants | Attorneys/ accountants by practice | Languages spoken | Practices performed | Phone no. |
|---|---|---|---|---|---|---|---|
| With | Wonhyeon Kim | #201, 2nd floor, 25 Gasan-Digital 1-ro, Geumcheon-gu, Seoul | 7 | Yeongjin Ju | English | Service for overseas reporting of financial status of foreign invested companies, review of tax issues, estimate financial statements, report of income analysis | 032-858-9175 |
| With Plus | Seyeong Choi | 2nd floor, Samjeong Bldg. 152 Bawumoe- ro, Seocho-gu, Seoul | 8 | Seyeong Choi, Hyeonjun Kim, Deokhee Cho | English, Japanese | Assistance to founding of foreign invested companies (local corporation and branch office), operation of foreign direct invested corporation, founding of branch or subsidiary company in Japan, comprehensive review service between home and branch offices, outsourcing services, assistance to M&A of Japanese companies, international inheritance tax returns and assistance | 02-576-9659 |
| Yichon | Myeongjin Kim | Miwon Bldg., 70 International Finance-ro, Yeongdeungpo-gu, Seoul | 116 | Seongil Yu | English, Chinese | Assistance to and advice on founding of local liaison, branch office and local corporation, bookkeeping and tax returns (corporate tax and VAT, withholding of earned income, etc.), international tax counseling, financial audit, advice on M&A due diligence, general tax and finance consulting | 02-780-0889 |
| | | | | Seongmun Jeong | English | Assistance to and advice on founding of local liaison, branch office and local corporation, tax consulting (tax credit, advice on corporate tax system), tax return service (returns of corporate tax, VAT, withholding and return of earned income), corporate accounting (bookkeeping service) | 02-6617-7210 |
| Indeok | Jongpil Kim | 3rd floor, Daeha Bldg., 19, National Assembly-daero 70-gil, Yeongdeungpo-gu, Seoul | 130 | Jeongsik Mun | English | Founding of local subsidiary corporation, approval of foreign invested corporation founding, consulting on liquidation, bookkeeping service for foreign companies or foreign invested corporations (outsourcing), tax returns on payroll, four major insurance, corporate tax return, tax audit service, tax credit, tax objection, financial audit | 010-3898-2035 |
| | | | | Yuntaek Oh | | Business restructuring, liquidation, advice on foreign exchange regulations and compliance, advice on taxes on international transactions, corporate tax returns, tax audit service, tax objection, financial audit | 010-5245-4333 |
| | | | | Seongyu Lee | Japanese | Founding and liquidation of Japanese companies, bookkeeping and tax returns for Japanese companies, advice on corporate tax, tax objection by Japanese companies, financial audit by Japanese companies | 010-9145-0584 |
| | | | | Sungho Shin | English | M&A, due diligence, company valuation | 010-3893-7265 |
| Jeongjin Serim | Yihyeon Jeon | 3, 4, 5th floor, Yuseong bldg., 121 Yeoksam-ro, Gangnam-gu, Seoul | 91 | Yeongmin Gong | English | 1. Services outsourced:<br>•Payroll related services each month<br>•Bookkeeping and preparation of financial statements each month<br>•ERP system-based reporting to home office<br>•VAT returns<br>•Administration of vouchers through office visit each month<br>•Banking service including overseas remittance (wire transfer)<br>2. Advice service<br>3. Financial audit service<br>4. Tax adjustment and return service<br>5. Founding of local subsidiary corporation or branch of foreign corporations | 02-555-1559 |
| | | | | Sangtaek Nah | | | 02-6138-8811 |
| Jeonghyeon | Taechul Eom | #407, 171, Gasan digital 1-ro, Geumcheon-gu, Seoul, Korea(371-41, Gasan-dong, Gasan SK V1 Center) | 5 | Taechul Eom | English | Returns of corporate, inheritance, and donation taxes, international tax issues (preparation of transfer prices, etc.), tax audit service, consulting, etc. | 02-6105-8649 |
| Jewon | Munsik Park | Contractors Association Bldg., 71-2 Nonhyeon-dong, Gangnam-gu, Seoul | 28 | Sangyun Kim | Japanese | Founding of local corporation, branch or liaison office, accounting and tax service, financial audit, tax audit service, payroll and four major insurance, general consulting on other tax issues, due diligence, and other financial consulting | 02-511-1402 |
| | | | | Byeongho Choi | English | Information of declaration of foreign direct investment, advice on M&A, financial due diligence, financial audit, bookkeeping and tax return services | 02-512-0164 |
| Jinil | Yeongseok Bae | #701 Ilshin Bldg., 11 Bank-ro, Yeongdeungpo-gu, Seoul | 55 | Yeongyun Choi | English | Service for and advice on founding of local liaison or branch offices, and local subsidiary corporation, corporate accounting (bookkeeping, preparation of group report package), tax advice | 02-6095-2137 |
| Cheonji | Jeomsik Park | #1604, 6th Ace High-end Tower, 234 Beotkot-ro, Geumcheon-gu, Seoul | 20 | Soyeon Kim, Suhyeon Park | English | Tax returns on behalf of individuals and foreign invested companies in Korea (Comprehensive income tax, corporate tax, VAT, etc.), tax consulting, including review of tax credit under the Act on Restriction of Exceptional Taxation. | 02-597-2900 |
| Hanyeong | Yonggeun Park | 2-8F Taeyeong Bldg., 111 Yeoi Park-ro, Yeongdeungpo-gu, Seoul | 1,033 | Yeongmin Gong | Japanese | Financial audit | 02-3787-6745 |

| Name | Representative | Address | Number of attorneys/ accountants | Attorneys/ accountants by practice | Languages spoken | Practices performed | Phone no. |
|---|---|---|---|---|---|---|---|
| Hanyeong | Yonggeun Park | 2-8F Taeyeong Bldg., 111 Yeoi Park-ro, Yeongdeungpo-gu, Seoul | 1,033 | Geumcheol Shin | Japanese | Financial audit | 02-3787-6372 |
| | | | | Hunsik Shin | | | 02-3787-6884 |
| | | | | Heungsik Kim | | | 02-3787-6810 |
| | | | | Seungyeob Wu | | Tax advice, tax returns service (corporate tax, VAT returns, earned income withholding and tax returns) | 02-3787-6508 |
| | | | | Janggyu Shin | | | 02-3770-0954 |
| | | | | Seungbaek Wu | English, Japanese | General tax counseling, advise on incentives for foreign direct investment | 02-3787-6320 |
| Hanwul | Kibong Nam | 6th floor, Sindo Bldg., 14 Teheran-ro 88-gil, Gangnam-gu, Seoul | 222 | Kibong Nam | English | Certification, due diligence, advice, bookkeeping, consulting | 02-2009-5762 |
| | | | | Jeongdae Kang | | | 02-2009-5701 |
| | | | | Junwu Lee | | Financial audit, due diligence, valuation, bookkeeping and tax return service | 02-2084-5811 |
| | | | | Hyeoncheol Goh | English, Chinese | Financial audit, bookkeeping (tax returns) service, other consulting | 02-2084-5680 |
| | | | | Seonghwi Kim | | Founding of local corporation, bookkeeping, tax return service | 010-8305-0490 |
| | | | | Hyeonggeun Yun | Chinese | Certification, due diligence, advice, bookkeeping, consulting | 02-2084-5825 |
| | | | | Ilgyu Kwon | | | 02-2009-5784 |
| | | | | Yeongji Hong | | | 02-316-6639 |
| | | | | Jisu Shim | English | | 02-316-6622 |
| | | | | Sangyeong Wi | | | 02-316-6621 |
| | | | | Sanghyeon Park | | | 02-316-6638 |
| UHY, Seil Won | Hyeongjun Cho | 6th floor, Fine Gangnam Bldg., 21 Teheran-ro 8-gil, Gangnam-gu, Seoul | 47 | Gilmo Mun | English | Founding and liquidation of foreign invested companies, founding of local corporation, branch or liaison offices, bookkeeping and home office reporting for foreign invested companies, HR outsourcing, tax return service (VAT, corporate tax, etc.), study for tax saving means, tax audit service (fixed business place, transfer price, review of tax treaty), consulting or advice on inducement of foreign investment, M&A | 02-564-0026<br>010-5265-9460 |
| | | | | Junghee Han | | | |
| | | | | Inin Jang | Chinese | | |



| Name | Representative | Address | Number of attorneys/ accountants | Attorneys/ accountants by practice | Languages spoken | Practices performed | Phone no. |
|---|---|---|---|---|---|---|---|
| KNP Seocho | Byeongrim Kim | Tax Firm KNP Seocho Branch, 5thfloor, Seoho Bldg., 72 Saimdang-ro, Seocho-gu, Seoul | 3 | Juhyeon Kim | English | Personal Income Tax Return Form1040, Corporate Tax Return Form1120, Partnership Declaration Form1065, Declaration of overseas bank accounts FBAR / FATCA, Voluntary Declaration of bank accounts OVDP, Bookkeeping service for foreign and foreign invested corporation, consulting on nationality renunciation tax, Declaration of US inheritance/ donation taxes, Guide on investment in real properties in USA, assistance to immigration into USA, founding on corporation founding in USA, international tax consulting | 010-8806-4664 |
| K Partners KSD International Tax Consulting | Seongdong Kim | 211 Songnam Bldg., 273 Gangnam-daero, Seocho-gu, Seoul | 7 | Seongdong Kim | English | Tax treaty, Local tax related to non-resident foreign corporations | 02-562-0055 |
| Taeseong | Sanghwan Nam | 5th floor, K-Cube, 726-2 Yeoksam-ro , Gangnam-gu, Seoul | 200 | Minjeong Kim | English | Service for founding local subsidiary corporation, branch or liaison offices, bookkeeping and tax returns for, tax audit of, and business consulting for foreign invested companies | 02-561-6513 |
| | | | | Hajun Jeong | | M&A consulting, due diligence | 02-561-0994 |
| Tax for You | Gweondae Lee | #1206 CubieCentum, 60 Centum Jungang-ro, Haeundae-gu, Busan | 5 | Eunsuk Lee | English | Bookkeeping, tax returns for local and foreign companies, service for founding corporation | 051-639-9680 |
| Hana | Gyuseob Lee, Yongcheol Kim | 3rdfloor, Olympia Center. 72 Nonhyeon-ro 79-gil, (Yeoksam-dong) Gangnam-gu, Seoul | 40 | MichaelM. Lee | English | Bookkeeping and tax returns for foreign companies in Korea, payroll related declaration, tax consulting on founding and withdrawal of foreign companies, strategies for optimizing local taxes, submission of information and response to transfer price, tax strategy consulting for Korean companies advancing to foreign countries, tax objection, and tax audit related service for individuals and corporations | 02-2009-1681 |
| | | | | Christie S. Lee | | | 02-2009-1682 |
| | | | | Ara. Jung | | | 02-2009-1631 |
| | | | | Carlos H. Jung | | | |
| | | | | Mirim Choi | | | 02-2009-4327 |
| | | | | Lucky Song | English, Russian | | |

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