

Incentive

-
- Tax Reduction and Exemption
 - Location support for foreign investment zones
 - Cash grant
 - R&D support
 - Management support

Tax Reduction and Exemption

- Eligibility and Procedure
- Benefits



The Korean government provides incentives in the form of reductions and exemptions on 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 of and exemption from acquisition tax and property tax on acquired or held properties | The 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 | The Restriction of Special Local Taxation Act Article 121 (3) 1-2 |
| Foreign Engineer | 50% of Income tax reduction and exemption (for 5 years) | The Restriction of Special Local Taxation Act Article 18 |
| Foreign Worker | Flat tax rate of 19% (for 5 years) | The Restriction of Special Local Taxation Act Article 18 (2) |

Eligibility and Procedure

01. Businesses Eligible for Tax Reduction and Exemption

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

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

| Eligible Businesses (related law) | Investment Requirements, etc. | |
|---|---|-------------------------|
| | Category | FDI Amount |
| Companies in a Free Economic Zone ※ 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 | At least USD 5 million |
| | Logistics | |
| | Medical institutions | |
| | R&D | At least USD 1 million |
| Development project entity in a free economic zone ※ 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: - Foreign investment of at least USD 30 million or; - Foreign investment ratio of at least 50 percent | |
| Development project entities in Jeju Special Investment Promotion Zone ※ 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: - Foreign investment of at least USD 10 million or; - Foreign investment ratio of at least 50 percent | |
| 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 ※ 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 ※ Article 10 (1) of the Special Act on the Development of Enterprise Cities | Total development projects worth at least USD 500 million with: - Foreign investment of at least USD 30 million or; - Foreign investment ratio of at least 50 percent | |
| Businesses or development project entities in the Saemangeum project area ※ Article 2 and 8 of the Special Act on Promotion and Support for Saemangeum Project | Manufacturing | At least USD 10 million |
| | Tourism | At least USD 5 million |
| | Logistics | |
| | R&D | |
| Businesses for which a tax reduction or exemption is inevitably allowed ※ 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

40 fields in 11 categories, 173 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 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 |
| Composite & Integrated Materials | High performance textiles, ultra-light metal, hyper-plastic, Titanium, Copper alloy, Molybdenum, Alloy steel, Functional elasticity · adhesive material |
| Robots | High-tech manufacturing robots, medical robots, service robots, robots in general |
| Aerospace | Unmanned vehicles, space technology |
| Advanced Materials · Parts · Equipment | Advanced Materials · Parts · Equipment |

※ Related law: Attached Table 7 of the Enforcement Decree of the Restriction of Special Taxation Act (Amended Feb. 11, 2020)

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

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 |
| Process Technology | Super Engineering Plastic (SEP) material 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 intends to obtain tax reductions or exemptions or to alter the details of its business subject to a decision on tax reduction or exemption shall file an application for tax reduction and exemption with the Minister of Strategy and Finance (with the administrative authorities of Free Trade Zones when the company is in the FTZ).

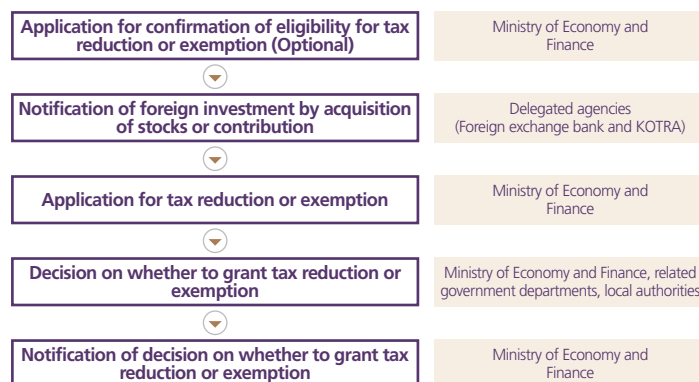
※ Related law: Article 121-2 (6) of the Restriction of Special Taxation Act

The International Economic Policy Division (044-215-7625) of the Ministry of Economy and Finance accepts applications for tax reduction and exemption. A foreign investor who wishes to apply for tax exemption and FDI notification at the same time may file the application with a foreign investment notification at the same time at foreign exchange banks (delegated agencies) or KOTRA.

※ Related laws: Article 15-3 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 and exemption shall be filed by the end of the taxable year in which the date its business commences. Where the details of the business 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



★ REQUIREMENTS

Application for tax reduction and exemption or alteration

- **Notification** (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 to amend the details of tax reduction or exemption** (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 amending the details of tax reduction or exemption.**
- Required documents prescribed by attached Table 2 of the Regulations Defining Tax Exemption for Foreign Investment
- **Copy of business license / 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 to verify whether a business he/she or it intends to operate is eligible for tax reductions or exemptions 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 reductions or exemption shall be required additionally after notifying FDI.

※ Related law: Article 121-2 (6), (7) of the Restriction of Special Taxation Act

② Decision and notification of tax reduction or exemption

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 make any revision to the particulars of reduction or exemption within 20 days, following negotiation with the relevant Minister and the head of local government. He/she shall notify thereof to the applicant, the director of the National Tax Service, the commissioner of Customs and the head of local government. However, an extension of the review period by up to 20 days is allowed in inevitable cases.

③ Preliminary notice of ineligible business for tax reduction or exemption

The Minister of Economy and Finance shall, when intending to determine a business as ineligible 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 application date. 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 make any revisions to the particulars of reduction or exemption within 20 days of the date on which the request is 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)-(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

★ REQUIREMENTS

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 of New Growth Engine Industry**

| Checkpoints | YES | NO |
|--|--------------------------|--------------------------|
| 1. Confirm whether the technology is written in the attached Table 7 of the Enforcement Decree of the Restriction of Special Taxation Act or the attached Table 14 of the Enforcement Rule of the Act (filling in the exact details on the application for tax reduction and exemption) e.g. '3-Visual recognition technology' under 'a. AI' of the '2. Intelligent information' in the attached Table 7 of the Enforcement Decree of the Restriction of Special Taxation Act(technologies for new growth engine industry technologies) | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Submit documents certifying that the technology concerns the business accompanying a new growth engine industry technology necessary for upgrading the domestic industrial structure and enhancing domestic industries' global competitiveness • patent rights, certificates of authorized institution, test results, evaluations or other reports certifying the qualification of the technology concerned | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Submit a description of the technology | | |
| ① Submit a key point summary of the technology (1~2p) | <input type="checkbox"/> | <input type="checkbox"/> |
| ② Submit a description of technical features and its details | <input type="checkbox"/> | <input type="checkbox"/> |
| ③ Write down the business activities to conduct with the technology | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Submit the documents certifying the plan for installation or operation of factory (work place) to conduct the business activities with the technology | | |
| ① Submit a description of production methods and process chart (for manufacturing technologies) | <input type="checkbox"/> | <input type="checkbox"/> |
| ② Document certifying the location of the factory that produces products using the technology | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Verify whether the business is directly related to a business entitled to tax reduction or exemption • The documents such as production methods and schedules for projects subject to reduction and exemption and related projects are needed. | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Submit a notification of foreign investment by acquisition of stocks or contribution | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Submit the Korean translation for documents written in English or other languages | <input type="checkbox"/> | <input type="checkbox"/> |

* Source: Ministry of Economy and Finance

Benefits**01.
Reduction 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.

Eligibility for Reduction/Exemption : Property Acquired or Held since the Date of Business Commencement

| Category | Business | Period and Ratio of Reduction and Exemption |
|---|---|--|
| Acquisition Tax and Property Tax (Property Tax on Land) | 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 percent 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 percent of tax reduction or exemption for 2 years thereafter |

※ Related law: Article 121-2 (4) of the Restriction of Special Taxation Act

IN DETAIL**Exception: Property acquired or held before the date of business commencement**

Acquisition tax on property acquired after the foreign-invested company is notified of a decision on tax reduction or exemption shall be fully exempted irrespective of the date of business commencement. Property tax shall be reduced or exempted during the period above and by the percentage above since the reduction and exemption period for property tax is calculated from the 'acquisition date', not from the 'business commencement date.'

※ Related law: Article 78-3 (2) of the Restriction of Special 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 Taxation Act or raises the reduction/exemption ratio within the scope of the extended period, the extended period or ratio shall be observed, irrespective of the above reduction and exemptions prescribed by the Restriction of Special Taxation Act.

02. Reduction and Exemption of Tax Including Customs Duty, Individual Consumption Tax, and Value-added Tax 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 from customs duties, individual consumption tax, and value-added tax for capital goods importation, it shall file an application for exemption from customs duties, individual consumption tax and value-added tax with the head of the relevant customs office in addition to the following documents.

② Due Date for Application

The import declaration for the capital goods subject to tax reduction and exemption under the Customs Act shall be completed within five years from the date of reporting the investment under the Foreign Investment Promotion Act. However, if the import report cannot be completed within the above period due to other inevitable reasons such as delayed approval of factory establishment, the government may apply for an extension of one year to the Minister of Strategy and Finance for approval before the end of the period (a total of six years).

③ Exception

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

★ REQUIREMENTS

Reduction and exemption of tax including customs duty, individual consumption tax, and value-added tax for capital goods

- **Application form**
(for exemption from customs duties, individual consumption tax and value-added tax (foreign investment): Form 83 of the Enforcement Rule of the Restriction of Special Taxation Act)
- **A copy of documents demonstrating that the relevant business is eligible for tax reduction or exemption (written decision for tax reduction or exemption)**
- **A copy of documents certifying capital goods imported as instruments, etc., of foreign payment or an object of investment**
- **A copy of the statement of details of imported capital goods confirmed**

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

Collection of Additional Tax for Reduced Customs Duty and Local Tax

| Cause for additional collection | Tax | Amount subject to additional collection |
|---|---|--|
| Cancellation of registration or business closure | Customs Duties, Individual Consumption Tax, Value-Added Tax, 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, etc. | Customs Duties, Individual Consumption Tax, Value-Added Tax | 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 abated for 5 years retroactively from the date of transfer multiplied by transfer ratio of the share, 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, Value-Added Tax, 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, Value-Added Tax | 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) 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 Exclusion

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 tax are collected in addition by the head of customs (head of the relevant customs office) and the head of the local government. However, additional collection of tax reduced or exempted is excluded 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 as it is dissolved 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 other law

※ Related law: Article 121-5 (5) of the Restriction of Special Taxation Act, Article 116-10 (2) of the Enforcement Decree of the 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. A researcher working in the research and development facility of a foreign-invested company

5 or more of research staff, independent research facilities, at least KRW 10 million of investment in research facilities, foreigner ownership of 30 percent or more of total outstanding shares

Application: A foreigner who started to provide services in Korea for the first time on or before December 31, 2021

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

03. Tax Support for High-Level Foreign Human Resources

① Income Tax Reductions for Foreign Engineers

A foreign engineer shall be granted a tax reduction equivalent to 50 percent of the income tax on the earned income from the offer of his/her services to a Korean national until the month in which the date falling on five years from the date the foreign engineer started to offer his/her services in Korea falls. Provided, that, a foreign engineer related to material, parts and equipment prescribed by Presidential Decree shall be granted a tax reduction equivalent to 70 percent of the income tax on the earned income from the offer of his/her services to a national in the Republic of Korea until the month in which the date falling on three years from the date, and 50 percent reduction for the consecutive two years.

② Special Taxation for Foreign Workers

The tax on the earned income of a foreign worker (foreign executive or employees excluding daily employed workers), in other words, the amount of income tax on earned income that the foreign worker receives in return for his/her labor in Korea until the taxable period that ends within five years from the date the person first provides labor in Korea (sunset provision applies only to foreigners who start to provide services in Korea for the first time on or before December 31, 2021), may be calculated by multiplying the relevant earned income by 19 percent instead of applying the general income tax rate.

③ Workers at a Regional Headquarters

The amount of income tax on earned income that a foreign worker receives in return for his/her labor in the regional headquarters prescribed by the Foreign Investment Promotion Act until the taxable period that ends within five years from the date the person first provides labor in Korea, may be calculated by multiplying the relevant earned income by 19 percent.

→ Special taxation also applies for a foreigner who starts to provide services in Korea for the first time after December 31, 2021

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

④ Application of Special Taxation

A foreign worker shall submit a wage and salary income earner's return on income deductions and tax credits, and an application for flat tax rate for foreign workers in the form (attached Form No. 8 of the Enforcement Rules of the Restriction of Special Taxation Act) stipulated by Ordinance of the Ministry of Strategy and Finance to the withholding agent, taxpayers' union, or the head of a tax office having jurisdiction over the place of tax payment, when making a year-end settlement of earned income tax amount or filing a final return of global income tax base.

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



INFORMATION

The Korean government abolished the corporate tax and income tax reduction and exemption system that had been provided to foreign-invested companies at the end of 2018, but retained the reduction and exemption for the local taxes (acquisition and property taxes), customs duties, individual consumption taxes, and value-added tax cuts as they had been. However, an entity that has been designated as being eligible for reduced corporate tax and income tax is ensured for the determined period of exemption even after 2019.

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

① Tax Credit for Investment in Certain Facilities, etc.

Corporate income tax credit is given for investment in the following facilities and the following tax credit rate shall be applied.

| Facilities | Corporate Tax Credit Rate |
|---|---|
| Facilities for research and vocational training | SMEs 7%, Middle-standing enterprise 3%, Conglomerates 1% |
| Facilities for energy saving | |
| Facilities for improving productivity | SMEs 10%, Middle-standing enterprise 5%, Conglomerates 2% |
| Environmental preservation facilities | SMEs 10%, Middle-standing enterprise 5%, Conglomerates 3% |
| Facilities for worker's welfare | |
| Safety facilities | SMEs 7%, Middle-standing enterprise 5%, Conglomerates 1% |

※ Related law: Article 25 (1) of the Restriction of Special Taxation Act

② Tax credits for investment in facilities for commercializing new growth engine technologies

If a company investing in facilities for the commercialization of new growth driver technologies prescribed by the Restriction of Special Taxation Act until Dec. 31, 2021 meets certain requirements, it shall receive corporate tax credit as follows:

| Requirements for Tax Credit | Tax Credit Rate |
|--|---|
| The facility shall fall under facilities commercializing new growth engine technologies and source technologies (attached Table 8-8 of the Enforcement Rules of the Restriction of Special Taxation Act) and the portion of R&D expenses in sales from the previous year shall be 2 percent or more and the number of full-time employees shall not have reduced from the previous year. | SMEs 10%, Middle-standing enterprise 7%, Conglomerates 5% |

※ Related law: Article 25-5 of the Restriction of Special Taxation Act, Article 22-9 of the Enforcement Decree of the Act

③ Integrated tax credit scheme (to be enforced in 2021)

An amount equal to the amount of a corporation's investment in tangible assets for business (excluding land, buildings, and vehicles, etc.) multiplied by the following deduction rate is to be deducted from corporate tax.

| Category | General investment | | | Investment in facilities for commercialization of new growth technologies | | |
|---------------------------|---|---------------------------|--------|---|---------------------------|--------|
| | SMEs | Middle – standing company | Others | SMEs | Middle – standing company | Others |
| Basic deduction rate | 10% | 3% | 1% | 12% | 5% | 3% |
| Additional deduction rate | [Amount of investment in the year – Average investment amount over the past 3 years] x additional deduction rate (3% for all businesses) *Ceiling of additional deduction amount: 200% of basic deduction amount | | | | | |

※ Integrated investment tax deduction is integration of existing items of investment tax deductions. In 2021, a tax payer may choose either the existing investment tax deduction* or the integrated investment tax deduction. From 2022 on, he has no choice but to follow the integrated investment tax deduction.

*① Tax deduction on investment in specific facilities

*② Tax deduction, etc. concerning investment in facilities for commercialization of new growth technologies

④ Tax credit for tenant companies in business cities, special zones for R&D, or other special industrial zones

| Support category | Related law | Corporate tax credit |
|--|---|-----------------------------|
| R&D specialized zone | Article 12-2 of the Act on the Restriction of Special Taxation | |
| 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 | 100% exempted for 3 years + |
| Asia Culture-Centered City Investment Promotion Zone | Article 121-20 of the Act on the Restriction of Special Taxation | 50% reduction for 2 years |
| 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 | |

⑤ Tax support for enterprises increasing jobs (amount of tax credit for 1 additional job)

(Unit: KRW 10,000)

| | SMEs | | Middle-standing enterprises | Other companies |
|---|-------------------|-------------|-----------------------------|-----------------|
| | Metropolitan area | Other areas | | |
| Regular youth employees and workers with disabilities | 1,100 | 1,200 | 800 | 400 |
| Other full-time workers | 700 | 770 | 450 | |

→ Period of tax credit: 3 years for SMEs, 2 years for others / Date of Enforcement: Dec. 31, 2021

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

⑥ Tax credit for start-ups in employment crisis and industrial crisis areas

An entity which establishes a company in a designated business type* or sets up a new business (except for cases of relocating existing workplace) in a special crisis area by December 31, 2021, shall be eligible to receive a reduction and exemption of corporate tax or income tax. A 100-percent exemption on corporate tax and income tax shall be provided for 5 years from the business year in which income occurs (limit varies depending on the size of the company).

→ 31 types of small or medium start-up enterprises prescribed by Article 6 (3) of the Restriction of Special Taxation Act

※ Related law: Article 99-9 of the Restriction of Special Taxation Act

⑦ Special Taxation for SMEs

| Type of Enterprise | Requirements for Tax Reduction and Exemption | Reduction and Exemption of Corporate Tax |
|---------------------------------------|--|--|
| Small and medium start-up enterprises | 18 types of small and medium-sized start-up enterprises prescribed by the Restriction of Special Taxation Act, such as manufacturing, construction, restaurants and mobile food service activities, mail-order sales, etc. | <p>Small and medium-sized youth start-up enterprises</p> <ul style="list-style-type: none"> Seoul metropolitan overconcentration control areas: 50 percent of tax reduction for 5 years Outside Seoul metropolitan overconcentration control areas: 100 percent of tax exemption for 5 years <p>Small and medium sized start-up enterprises: 50 percent of tax reduction for 5 years</p> <p>* Eligible for reduction or exemption of tax by up to 100 percent depending on an increase in employment compared to the previous year</p> |
| SMEs | <p>46 types of SMEs prescribed by the Restriction of Special Taxation Act, such as manufacturing, mining and quarry construction, etc.</p> <p>Investment in business assets designated by the Restriction of Special Taxation Act on SMEs and Middle-standing enterprises located outside of the Seoul metropolitan overconcentration control area</p> <p>* N/A for the middle-standing enterprises with employment decrease</p> | <p>Special tax reduction and exemption (5~30 percent of reduction for corporate tax)</p> <p>Tax credit for investment</p> <ul style="list-style-type: none"> 3% of the investment deducted from corporate tax (1-2% for middle standing companies depending on the area) <p>* Higher tax credit rate applied for investments in a crisis area</p> |

※ Related law: Article 5~7 of the Restriction of Special Taxation Act



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 must belong to a category stipulated as the business for an SME.

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 percent 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.

4. Enquiries concerning SME

① Call center 1357 (FAX) 042-472-6083

② Ministry of SMEs and Startups www.mss.go.kr civil petition affair ▶ online civil petition

③ By letter Customer Information Service Office of Ministry of SMEs and Startups in Daejeon Government, 1-dong, 189, Cheongsu-ro, Seo-gu, Daejeon, 35208 Republic of Korea

④ By visit Contact and visit the officer in charge of civil petition (+82-42-481-8933) at Customer Information Service of Ministry of SMEs and Startups in Daejeon Government Complex.

⑤ Biz-info www.bizinfo.go.kr

This website provides real-time information on projects to support small- and medium-size enterprises that are being implemented by 450 government agencies and local governments, etc.

Location support for 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 and 26-2 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 FDI by acquisition or longer of newly-issued stocks and long-term loans of five years or longer are recognized as an investment amount meeting the requirements for moving into foreign investment zones. 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 credits depending on the investment.

01. Type of Businesses Eligible for Occupancy

The categories of business eligible to take the 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.

- Business holding 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 percent (10 percent in cases of standard-type factories of Daebul Foreign Investment Zone, and 50 percent in case of 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

Factory construction area should satisfy the standard area ratio of a factory of the relevant category of manufacturing business (12 percent 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 related to the amount of funds to be invested by the size of the area where the foreign-invested company intends to move into.

04. Rents and Rental Security Deposits

Annual rent in a complex-type FIZ shall be determined by multiplying the acquisition value (referring to the publicly announced land price, where a publicly announced individual land price exceeds the acquisition value) of the relevant complex-type FIZ by at least 1 percent. 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 Strategy and Finance and a mayor/provincial governor, in an amount calculated by multiplying the acquisition value by at least 5 percent.

Rental security deposits: it shall be an amount calculated by multiplying the acquisition value by at least 5 percent and paid in cash. Companies in foreign investment zones may instead request to replace a cash payment with the submission of a guarantee insurance policy or payment certificate of bank.

05. Reduction and Exemption of Rents

In applying a rate of reduction and exemption, the investment amount that has been paid in full to invest shall be construed as the amount of foreign investment, and the time that falls a month before the issuance of payment notice of the rent shall be construed as the date of calculation of number of full-time workers. The rents for national and shared properties are 5 percent or more of acquisition amount but the companies in FIZs may lease the site with 1 percent or more of the acquisition amount.

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

| Reduction rate | Business | Condition | | Notes |
|----------------|---|---|----------------------------------|--|
| | | Investment amount | The number of full-time employee | |
| 0% | Tenant company | Market rental fee (1 percent of acquisition amount) | - | - |
| 75% | Manufacturing | At least USD 5 million | - | - |
| | | At least USD 2.5 million | 70-150 or less | - |
| 90% | Manufacturing | At least USD 2.5 million | 150-200 or less | - |
| 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 general rent, real rent is 5 percent of acquisition amount (in case of rent for national or shared property)

※ Related law: Article 19 of the Foreign Investment Promotion Act

06. Occupancy System for Suppliers

In case a company with occupancy in an FIZ requests that their suppliers with no foreign-held shares be permitted to occupy a part of the factory for the purpose of process shortening or cost reduction, it shall be permitted to move into the area under the evaluation by the committee and consent of the Minister of Trade, Industry and Energy. The contract shall be made within the remaining period of contract and should be renewed every five years. The area allowed for a subcontractor to move in shall not exceed 30 percent of the total building area of the factory of the relevant relocated company.

Individual- type Foreign Investment Zones

An individual-type Foreign Investment Zone (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

The FIZ shall be designated when new factory facilities (or workplace) are built or newly installed on existing buildings by the same corporation to install factory facilities, machines, facilities, and devices 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

The FIZ shall be designated when factory facilities (or workplace) are newly installed which satisfy the required investment amount.

| Required Investment Amount | Type of Business |
|----------------------------|--|
| At least USD 30 million | Manufacturing business, new growth engine industrial technology business, computer programming, system integration and management services, data processing, hosting, and other related service activities |
| At least USD 20 million | Resort condominium business, tourist business (tourist hotel business, floating tourist hotel business, Korean traditional hotel business), specialized resort business, general resort business, general amusement complex business, international convention facilities, youth training facilities |
| At least USD 10 million | Complex logistics terminal business, 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, project creating revertible facilities |
| At least USD 2 million | A research and development facility to engage in industry-supporting service business or business accompanying high technology under the Enforcement Decree of the Restriction of Special Taxation Act The number of regular workers in exclusive charge of research with at least a master's degree related to the business and at least 3 years' research career must be at least 10 persons |

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

The amount of foreign investment that was executed before application for designation shall be excluded. However, where paid-in foreign investment amount is recognized as used for obtaining designation as a foreign investment zone, such as purchase of real estate in an area where the company is planning to obtain designation as an individual-type foreign investment zone, such amount shall be recognized as foreign investment amount. If two or more foreign investors are designated as individual-type FIZs, they shall enter into contracts with the foreign investors on the implementation and performance obligations of their investment plans on the year of the designation.

03. Application for Designation

To be designated as an individual-type FIZ, a mayor or provincial governor shall make the designation plan including the following documents and file it to the Minister of Trade, Industry and Energy.

04. Rent and Limit on Occupancy

The rent for Individual-type FIZ may be reduced by 100 percent 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 percent of the foreign investment amount by the tenant company.

05. Alteration of Designation

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

※ Status of individual-type foreign investment zones designated:

Refer to Major businesses ▶ FIZ operation page at www.kicox.or.kr

★ REQUIREMENTS

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

Service- type Foreign Investment Zones

It is an area designated for lease or transfer 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 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 by reviewing whether it is suitable for 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, the effect of increasing employment, etc., while the effect of providing financial support when submitting a plan to designate new or extended foreign investment areas as a service within 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, 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 percent of the designated space.

03. Type of Businesses Eligible as Tenants

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

A foreign-invested company with an FDI ratio of 30 percent or more shall move into the zone only when registered until the time of the occupancy contract.

Minimum Number of Employees per Industry in 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 | | |
| Knowledge service | 15 or more researchers | |

Cultural industry

- 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.
- The investment requirements above the standard amount of foreign investment in individual-type FIZ prescribed by the Article 25 (1) of the Enforcement Decree of the Foreign Investment Promotion Act shall be met in case of the tourism industry.

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

05. Lease

Where a services-type FIZ is a site for lease, an occupancy contract shall be made for a period not exceeding ten years in total (fifty years for research and development service business); in contrast, where a services-type FIZ is any building 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 former lease period.

06. Subsidization of Rents for Buildings

The state or a local government may subsidize the rent for buildings in a services-type FIZ. In such cases, the state or a local government may subsidize an amount not exceeding 50 percent of the standard rent, but the standard rent shall not include a rental security deposit.

Frequently Asked Question & Answer

Q 01 In the case that a company that moves into an FIZ through foreign investment joint ventures makes a capital increase to expand their business without a foreign investor investing, which would result in the foreign investment share ratio falling below 30 percent, should they pay market price rent due to non-compliance with the qualification?

The reduction rate shall continue to be applied if the tenant company fails to maintain its occupancy qualification by increasing only domestic capital to install the plant or machinery, facilities and devices without reducing the amount of foreign investment after the execution of the business plan. In this case, the FDI stock ratio of 10 percent 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 percent 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.

Cash grant

- Eligibility for Cash Grant
- Support Provided
- Process of Cash Grant

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

◆ Process of cash grant

An application shall be submitted to The Ministry of Trade, Industry and Energy (Department of FDI Promotion) with support of the overseas investment hub offices in KOTRA, 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, applications and screening procedures.

| Process | Entity | Details |
|--|---|---|
| Application for cash grant 01 | [Application] Investor (Company) [Reception] Ministry of Trade, Industry and Energy [Support] KOTRA | Submission of application and investment plan Designation of negotiator Designation and application of PM |
| Examination 02 | Advance evaluation committee (limited to reinvestment of retained earnings) and evaluation committee | Establishment of cash grant evaluation committee and examination of the application |
| Calculation 03 | Ceiling calculation | Establishment of ceiling calculation committee and examination of the application |
| Creating recommendation (negotiation agenda) 04 | Ministry of Trade, Industry and Energy - Local Government - Ministry of Economy and Finance | Preparation of recommendation (negotiation) and submit it 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 - Local Government - Investor | Cash grant can be paid after contract conclusion (lump-sum payment or payment in installments) |
| Follow-up management 07 | Ministry of Trade, Industry and Energy, Local governments, KOTRA | Perform investment and review execution result, review the details of cash grant execution |

★ REQUIREMENTS

Application for cash grant

- **Application form** (Attached form No. 11-3 form of the Enforcement Rules of the Foreign Investment Promotion Act)
- **The investment plan and summary of plan**
- **A 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

A foreign investment where the ratio of foreign investment is at least 30 percent and foreign investment with long-term borrowing shall not be eligible for cash grant support. (Including foreign investment using unappropriated earned surplus.)

01. New Growth Engine

Research and development of technologies for new growth engines and source technologies, materials process technology directly related to new growth engine technologies

※ Related law: Type of industry according to 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

Establishment of new or additional factories 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 released, attached Table 1 of the range of high technology and high-tech product

03. Materials and Components

Textile, pulp, chemicals, medicine, 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 Rule on the Act

04. Creation of Employment

Manufacturing, construction, transportation, information services 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 master's degree in related fields or bachelor's degree and at least three years' research experiences) 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) 4 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 percent 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 with recognition of contribution 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 business in high-tech industries and the R&D sector, the percentage borne by the central government can be raised by 10 percent.

Process of Cash Grant

01. Application Documents

A foreign investor wishing to receive a cash grant should submit attachments 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 calculation 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.

★ REQUIREMENTS

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 Korea has been selected as target

investment country (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 assistance.

※ Related law: Form of Annex table 11-3, Enforcement Decree - Documents to be attached to the Application for cash support, Paragraph 3, Article 6 Annex table Form No. 1, Cash support system

04. Negotiation and Decision of Cash Grant Amount

The Ministry of Trade, Industry and Energy shall negotiate the cash grant with the Minister of Economy and Finance and related local government, and following the negotiation, it shall be determined through deliberation and resolution by the Foreign Investment Committee and executed after a contract for the cash grant is concluded. However, a contract for cash grant may be concluded through deliberation and resolution by the Foreign Investment Working Committee where the amount of cash grant excluding the amount of relocation support is less than KRW 1 billion.

05. Payment Method

A cash grant may be paid in a lump sum within one year from the date the contract is concluded or in up to ten installments within five years from the conclusion of the contract. The applicant shall open a separate account and perform accounting for the cash grant received, clearly distinguishing it from his/her own revenue and expenditure.

For installment payments, the applicant shall submit an application which includes the scale, purpose, details, etc. of the cash grant for the relevant year, and the cash grant shall be paid within the scope of cash grant agreed upon by the contract for a cash grant, in accordance with the following methods, after evaluating the performance of the investment expenditure plan, actual execution of the cash grant, etc., but the amount and timing of payment may be adjusted.

06. Conclusion of Contract

Where a decision to provide a cash grant is made, the Minister of Trade, Industry and Energy shall conclude a contract for such cash grant, which provides for the period of a contract for cash grant, the method of the payment, and acquisition or lease of land for rent, with the head of the relevant local government and applicant.

IN DETAIL

1. Follow-up administration

The KOTRA president shall inspect the applicant's performance of investment expenditure plans R&D, etc. each year during the contract period to submit the results to the head of the municipal government and the Minister of Trade, Industry and Energy. The applicant should submit to the KOTRA president within two months the performance report after using the cash support. When the cash support is completed, the applicant should also return the remaining amount and accrued interest for 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 retained earnings) of the Act should set up a separate account for the amount to be recognized as foreign direct investment by reinvesting retained earnings immediately when the cash support contract is concluded.

3. Reduction or recollection of support fund provided

In the event of a reason such as fraudulent or unjust application, the relevant support fund is to be withdrawn or the amount is to be reduced or recollected through the deliberation by the Committee on Foreign Investment.



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 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 Strategy 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 Article 14-17

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 Paragraph 6, Article 10



R&D support

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

The Republic of Korea has a systematic industrial infrastructure and excellent human resources, which makes the country an optimal place for business activities. Moreover, the Korean government has been providing support for activities, which are the foundation of national competitiveness, as well as for sustainable development, including the creation of future growth engines as well as high-tech technologies. Corporate research and development activities can benefit from research personnel, taxation, tariffs, funds and technical support through reports of business-affiliated research institutes and R&D departments, and projects that support R&D can receive support benefits similar to those of corporate research institutes such as research personnel, taxation and finance through applications for R&D services. In particular, foreign-invested companies may receive additional investment incentives such as cash grant, tax exemption, and location support if they have research and development facilities that meet certain requirements.

Business-Affiliated Research Institute, etc.

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

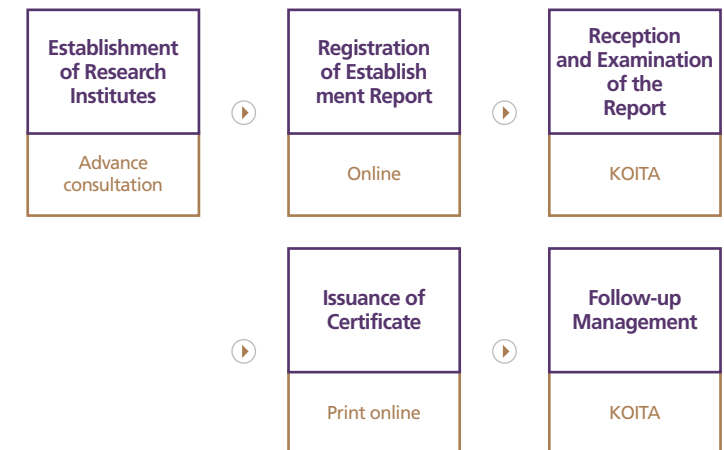
→ Current status : 40,693 business-affiliated research institutes, 27,787 departments solely responsible for R&D (as of Sep. 2019)

※ 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. Method of Reporting

After the establishment of business-affiliated research institutes or departments solely responsible for R&D meeting certain qualifications, the required documents to report shall be prepared and reported to the Korea Industrial Technology Association (KOITA). Reporting is only available online.

Process of Reporting



* Due Date for Processing: Processing shall be completed within seven days of the reception of 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 institutes or departments solely responsible for R&D)**

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

02. Requirements for Approval

Business-affiliated research institutes or departments solely responsible for R&D must satisfy both human requirements and physical requirements in order to receive approval.

| Classification | | | Requirements to report |
|--------------------------|---|--|---|
| Human requirements | Business -affiliated research institutes | Start-ups | 2 or more researchers solely responsible for research |
| | | SME established by researchers | |
| | | Small-sized company | 3 or more researchers solely responsible for research |
| | | Medium-sized company | 5 or more researchers solely responsible for research |
| | | Corporate research institutes located out of Korea (Overseas research institutes) | |
| | | Middle -standing company | |
| | | Conglomerates | 10 or more researchers solely responsible for research |
| | Departments solely responsible for R&D | Applied regardless of company size | 1 researcher solely responsible for research |
| Physical requirements | Required facilities and space | | Independent research space and facilities essential for R&D activities |

IN DETAIL

Requirements for the Approval of Research Institutes

① Qualifications of a Researcher Solely Responsible for Research

A holder of a bachelor's degree or higher in the field of science (natural science, engineering, and medical fields) who has at least one year's experience or more in research and development, 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

The walls shall be divided into fixed walls so that all sides can be distinguished from other departments and independent spaces with separate entrances shall be secured. In the case of small businesses, it is permitted to divide a small research space (full area of 30m² or less) into other departments and partitions and attach the signboard of the laboratory to the partition to operate the research institute.

Machinery, equipment, instruments and materials to be used directly in R&D activities must exist in the research space.

03. Support Provided

A company that registered its business-affiliated research institutes or departments solely responsible for R&D is eligible to receive support for 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 expenses for R&D, HR development and facility investment | Article 25 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 and activity funds for a researcher solely responsible for research | 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

| Department | Main Contents | Related Project Information |
|--|--|--|
| Ministry of Science and ICT | Support for technology development business | <ul style="list-style-type: none"> National Research Foundation of Korea (www.nrf.re.kr) Korea Foundation for the Advancement of Science and Creativity (www.kofac.re.kr) National IT Industry Promotion Agency (www.nipa.kr) |
| Ministry of Trade, Industry and Energy | Development of core technology of industries, etc. | <ul style="list-style-type: none"> Korea Institute for Advancement of Technology (www.ariat.or.kr) Korea Evaluation Institute of Industrial Technology (www.keit.re.kr) |
| Ministry of SMEs and Startups | Business of technology development, etc. for new product | <ul style="list-style-type: none"> Korea Technology & Information Promotion Agency for SMEs (www.tipa.or.kr) Ministry of SMEs and Startups (www.smtech.go.kr) |

③ Employment Support

| 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 | Support for the cost 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 |
| Letter of 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 | Meditation of science and engineering human resources | KOITA 02-3460-9033 |

④ Technical Support

| Department | Main Contents | Related Project Information |
|--|---|---------------------------------|
| Ministry of Trade, Industry and Energy | Reliability voucher project (Support to material development) | www.신뢰성바우처.org |
| | K-Global projects | k-global@nipa.kr www.nipa.kr |
| Ministry of Science and ICT | Support to industry-study cooperation cluster | www.koita.or.kr |
| | 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 |
| | Strategy support business for IP-R&D | http://biz.kista.re.kr/ippro |
| Korea Intellectual Property Office | Support for patent technology evaluation related to commercialization | www.kipa.org |

Research and Development Service Business

Research and development service business is an industry that is responsible for outsourcing R&D including research and development business that conducts research and development in the fields of science and engineering independently for profit-making or by entrustment and research and development support business supporting research and development in the fields of science and engineering through the provision of technology information, consulting, testing, analysis, etc., for profit. With the reporting and registration of research and development service business to Korea R&D Service Industry Association (Agency of the Ministry of Science and ICT), it is possible 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 of the Business | Business Contents | Business to Report |
|---|---|--|
| Research and development business | A business to independently develop and supply technology required by the market or to undertake (subsidiary research) some or all of the R&D activities for companies that do not meet the demand for R&D. | <ul style="list-style-type: none"> R&D for physics, chemistry and biology Agriculture R&D Engineering and technological R&D Other natural science R&D 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 scientific and technological information, to support R&D activities of R&D players. | <ul style="list-style-type: none"> R&D consulting specialist Technology market research specialist Specialist for patent administration and its agency Investment and financing technology development, mediation and agency of technology trading Material component inspection business Structure and product inspection business R&D product design Supply of researcher and education and training 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 incompleteness 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 |
|--|--|--|--|---|
| <ul style="list-style-type: none"> Basic research project Space technology development Nuclear R&D Nuclear fusion and accelerator R&D support Information and communication broadcasting R&D Industrial technology development | <ul style="list-style-type: none"> Energy technology development Promotion of technology transfer and commercialization Technology development related to electric power industry | <ul style="list-style-type: none"> Support for cooperative utilization of research equipment Technology innovation development of small and medium sized business Hybrid technology development of small and medium sized business Commercialization technology development of small and medium sized business ESP (Technology specialist business) | <ul style="list-style-type: none"> Construction technology research Plant research National territory information research Railroad technology research Aviation safety technology research | <ul style="list-style-type: none"> Livestock disease response technology development High value-added food technology development Agricultural life industry technology High-tech production technology development Post-genome Ethical, Legal and Social Implications |

→ 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 research and development 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 Is a company that focuses only on R&D without any other department and whose representative manages the company by him/herself eligible to apply for departments solely responsible for research and development?

The applicant must have a department except for business-affiliated research institute or department solely responsible for research and development and have at least one permanent employee (excluding the representative director) working in other department. The researchers solely responsible for research and the permanent employee must be subscribed to Korea's four major insurances.

Q 02 Is a research activity concerning economic trend, etc., able to be recognized for application to a business-affiliated research institute or department solely responsible for research and development?

Research activities other than those in science and technology such as market research and economic trends are not subject to recognition. The final output should be related to science and technology progress and be aimed at a systematic solution to scientific and technological uncertainties. Daily repetitive software-related activities, operation of computer systems in the company, or in case of the product's test phase being completed and changed to commercial production are not the R&D activities.

Q 03 What are the differences between a business-affiliated research institute and department solely responsible for research and development?

The physical requirement for application registration is same for both a business-affiliated research institute and a department solely responsible for research and development, but department solely responsible for research and development requires one researcher for its establishment with the human requirement easing. Tax benefits including taxation and customs duties is same for both of them, but there are some differences for part of local taxation(including acquisition tax and property tax) and special cases of military service system.

Q 04 Is a researcher in business-affiliated research institute able to engage in other tasks such as sales support outside of the 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

Management support

- Incubating
- Support for Hiring by Foreign-invested Businesses
- 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-invested businesses in which foreign direct investment is planned to be declared based on the procedure stipulated in the Foreign Investment Promotion Act or for which foreign direct investment of USD100,000 or more will arrive within a year of occupation may be admitted 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

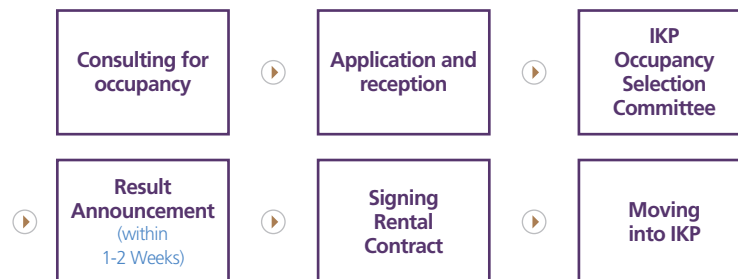


* Photographs: Invest KOREA website / Office size: 21.82m² ~ 32.4m² (for 2 persons), 50.24m² (for 5 persons) / Office size and type may vary depending on the circumstances.

② Moving into IKP Business Incubating Facilities

| Category | Details |
|--------------------|---|
| Selection criteria | <ul style="list-style-type: none"> Foreign-invested company: examination of minimum investment (notified amount) and business plan etc., negotiations on conditions for occupancy, and selection through internal review * 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 | <ul style="list-style-type: none"> Foreign-invested company: 2 years; companies in an industry in which the government attracts investment strategically may extend the period additionally. |
| Rental fee | <ul style="list-style-type: none"> KRW 33,000/m² (including VAT), deposit: 6 months of rental fee |
| Support provided | <ul style="list-style-type: none"> Support for utilizing the office and business center for foreign-invested companies' initial settlement Guaranteeing information exchange and networking via PM for the contract period |

③ Procedure of Application



④ IKP Occupancy Consulting

Invest KOREA Investment Strategy Team

Contact: 02-3497-1000, e-mail: ikp@kotra.or.kr

Support for Hiring by Foreign- invested Businesses

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 Eligible businesses

Foreign-invested businesses, potential foreign direct investors

③ Contents of support

| Programs | Key contents | Frequency |
|--|---|-----------------|
| Job fair for foreign-invested businesses | To ease the shortage of workforce of foreign-invested businesses, provide opportunities for employment by domestic job seekers, and improve the local perception of foreign-invested businesses | Once a year |
| Employment consultation sessions for foreign-invested businesses | 1:1 in-depth interview between foreign-invested businesses and job seekers to provide substantial support for hiring | Once a year |
| Local job fair by foreign-invested businesses | Foreign-invested businesses hold job fairs in local universities | 10 times a year |
| Website for job recruiting by foreign-invested businesses | An online job recruiting site for foreign-invested companies to meet their human resources demand http://www.jobkorea.co.kr/Theme/kotra | Permanent |

④ Participation fee: Free

⑤ Application method:

Website www.jobfairic.org or
through the official e-mail (jf@kotra.or.kr)

⑥ Contact

Invest KOREA Hiring Support Department for Foreign-invested Businesses
02-3460-7876, 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 | ○ | ○ |
| | Incheon airport to hotel travel | ○ | ○ |
| Chauffeur service | 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 | - | ○ |
| Industry tours | - | - | As required |
| Provision of lunch/dinner | - | - | As required |
| | Pickup from hotel to Incheon airport | - | ○ |
| Airport drop-off service | 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 promoting projects and which are highly likely to invest in Korea, including those with MOU signed, investment declared, location (factory space) secured, and M&A agreement 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

02-3460-7827 / hkchoi@kotra.or.kr