

barring any special reason. In returning the funds, the amount shall be the largest among the following. In such cases, the responsibility for returning the cash grant shall be assumed, either jointly or separately, by the foreign investor or the foreign-invested company.

- The total amount of cash grant that has been paid in the event that the company becomes unable to continue its business within the investment period
- The amount arrived at by multiplying the paid cash grant by the ratio of failure to meet the requirements within the business operation period
- The amount arrived at by multiplying the penalty amount agreed upon under the cash grant contract per each person the company has failed to hire when the company fails to fulfill its obligations for the minimum agreed employment within the investment period

3. Industrial Site Support

Industrial sites, i.e. spaces for performing industrial activities, are divided into: planned sites that are developed under a plan; and individual sites that a business selects and develops for the construction of its own factory. 'Planned sites' refers to industrial locations developed under a plan in an area selected for establishing or developing factories collectively by the central or municipal governments or private businesses. It includes state industrial complexes, general industrial complexes, urban high-tech complexes, and rural industrial complexes. On the other hand, 'individual sites' refers to areas where individual businesses build their factory by obtaining the necessary permits or licenses by purchasing a factory site in an area outside an industrial complex.

The planned sites for promoting or inducing foreign direct investment include foreign investment zones designated under the Foreign Investment Promotion Act, free trade zones under the Special Act on Designation and Management of Free Trade Zones, and free economic zones under the Special Act on Designation and Management of Free Economic Zones. Among these, foreign investment zones are divided into complex type, individual type and service type. Individual type foreign investment zones can be regarded as individual sites.

The locations designated for foreign direct investment may vary in terms of eligibility for occupation, targeted industries, and investment incentives (rent, taxation, customs duty, and cash grant) depending on their purpose of designation. Therefore, it is advised to carefully examine and analyze the investment sites, even for planned sites where the approval procedure for factory establishment is easier compared to others.

<Industrial Sites for Foreign Investors>

(As of Dec., 2014)

Industrial Site System		Designated Region	No. of Locations
Foreign investment zone	Complex-type	Jangan High-tech Industrial Complex No. 1 & No. 2, Oseong Industrial Complex, Dang-dong Industrial Complex, Cheonan Industrial Complex , Cheonan Industrial Complex No.5, Inju Industrial Complex, Ochang Industrial Complex, Woljeon Industrial Complex, Daebul Industrial Complex, Iksan Industrial Complex (parts), Mieum Parts Industrial Complex in Busan, Sacheon industrial complex, Jisa Industrial Complex, Changwon Industrial Complex (parts), Dalseong Industrial Complex, Pohang Industrial Complex (parts), Gumi Industrial Complex (parts), Munmak Industrial Complex, Changwon Industrial Complex (parts), Jincheon-Sansu Industrial Complex	21
	Individual-type	Manufacturing industry (63 companies), service industry (8 companies) (Manufacturing businesses investing US\$100 million or more: 22 companies)	71
* Rental complex for foreign-invested companies in Gyeonggi Province		Hyeongok Industrial Complex, Poseung Industrial Complex, Chupal Industrial Complex, Eohyeon-Hansan Industrial Complex	4
Free trade zone	Industrial complex-type	Ulsan Free Trade Zone, East Sea Free Trade Zone, Gunsan Free Trade Zone, Gimje Free Trade Zone, Daebul Free Trade Zone, Yulchon Free Trade Zone, Masan Free Trade Zone	7
	Ports and airports-type	Port of Busan, Port of Pohang, Dangjin-Pyeongtaek Port, Port of Gwangyang, Port of Incheon, Incheon International Airport	6
Free economic zone		Busan-Jinhae Free Economic Zone, Gwangyang Bay Area Free Economic Zone, Incheon Free Economic Zone, Yellow Sea Free Economic Zone, Daegu-Gyeongbuk Free Economic Zone, Saemangeum-Gunsan(Saemangeum project area) Free Economic Zone, East Coast Free Economic Zone, Chungbuk Free Economic Zone	8

- Foreign Investment Zone
- Industrial Complexes Specializing in Parts and Materials
- Free Trade Zone
- Free Economic Zone
- Foreign Investment Location Incentives

3-1 Foreign Investment Zone

The foreign investment zone is a region designated by the mayors and provincial governors under the Foreign Investment Promotion Act to promote foreign investment and attract large-scale foreign investment. The foreign investment zone is categorized into complex-type, individual-type and service-type, which vary in terms of the designation requirements, occupancy requirements and investment incentives.

A complex-type foreign-investment zone is designated to provide (lease) factory sites at a low cost to promote investment of foreign companies that possess advanced technologies including high-technology. To be eligible to move into a complex-type foreign investment zone, a company should be registered as a foreign-invested company, have a foreign investment ratio of 30 percent or higher, and operate a business defined under the basic management plan (mostly manufacturing businesses). The minimum requirement for occupancy (minimum investment amount, plant area) has been recently eased: foreign direct investment at least equal to the price of the rented plant site should be executed within five years from the date of the move-in contract; and plant establishment should be completed within five years from the date of the contract (the ratio of the building area to the site area should be at least 12 percent). On the other hand, an individual-type foreign investment zone is a tailored location for investors and large-scale foreign investors can choose and designate the investment zone. Unlike complex-type foreign investment zones, the maximum size of the site is land that can be purchased with 50 percent of the foreign investment amount. The tax reduction period for individual-type foreign investment zones is seven years (100 percent reduction for the first five years, 50 percent reduction for the following two years), which is longer than the reduction period for complex-type foreign investment zones (five years). Service-type foreign investment zones refers to areas designated for lease or transfer to foreign-invested companies operating a service business such as an R&D business, finance business, knowledge-based business, culture and tourism business, and industrial support service business. The minimum investment amount for service-type foreign investment zones is 100 percent of the value of the leased land or building, and the plant construction area should be 40 percent, which is two times the standard factory area ratio. Also, implementation of the business plan should begin within three years from the date of concluding the move-in contract.

< Designation Procedure (Article 18 of the Foreign Investment Promotion Act)>



< Complex-Type vs. Individual-Type >

Classification	Complex-type foreign investment zone	Individual-type foreign investment zone
Overview	<ul style="list-style-type: none"> • Areas are designated in advance to attract small- and medium-sized foreign-invested companies (1994~) 	<ul style="list-style-type: none"> • Areas are designated upon the request of foreign investors planning to make large-scale investment (1997~)
Location	<ul style="list-style-type: none"> • Industrial complex 	<ul style="list-style-type: none"> • No restrictions (areas desired by foreign investors)
Requirement for designation (or occupancy)	<ul style="list-style-type: none"> • Requirements for designation: Refer to the above • Requirements for occupancy: Foreign investment ratio of 30% or higher * Integrated logistics terminal, joint distribution center: Foreign investment ratio of 50% or higher 	<ul style="list-style-type: none"> • Designation standards: Designated after deliberation when an amount above the required minimum amount by business sector is invested(US\$30 million or more in the case of manufacturing, US\$20 million in the case of tourism, US\$10 million in the case of logistics)
Location support	<ul style="list-style-type: none"> • Land is purchased and then leased to tenant businesses • Ratio of the central and local government's expenditures for the purchase of the site: * 30:70 (Seoul Metropolitan area), 60:40 (Other regions) 	<ul style="list-style-type: none"> • Financial support is provided on request for the purchase of land • Ratio of the central and local government's expenditures for the purchase of the site: * 30:70 (Seoul Metropolitan area), 60:40 (Other regions)
Tax reduction or exemption (Corporate tax, customs duty, acquisition tax, etc.)	<ul style="list-style-type: none"> • Qualifications <ul style="list-style-type: none"> - Manufacturing: US\$ 10 million or more - Logistics: US\$ 5 million or more • Reduction or exemption period <ul style="list-style-type: none"> - National tax reduced for five years: 100% exempted for three years, 50% reduced for the following two years - Local tax: Reduced or exempted up to 15 years 	<ul style="list-style-type: none"> • Additional abatement requirements are identical to those for designation. • Reduction or exemption period: <ul style="list-style-type: none"> - National tax reduced for seven years: 100% exempted for the first five years, 50% reduced for the following two years - Local tax: Reduced or exempted up to 15 years
Reduction or exemption of rent	<ul style="list-style-type: none"> • Businesses accompanying high technology investing US\$ 1 million or more: 100 percent exemption • Manufacturing businesses investing US\$ 5 million or more: 75 percent reduction (100 percent exemption in parts and materials industrial complexes, 50 percent reduction in general industrial complexes) • Manufacturing businesses investing US\$ 2.5 million or more and employing 200 workers or more: 100% reduction • Manufacturing businesses investing US\$ 2.5 million or more and employing 150 workers or more: 90% reduction • Manufacturing businesses investing US\$ 2.5 million or more and employing 70 workers or more: 75% reduction 	<ul style="list-style-type: none"> • Rent is exempted 100%
Minimum required investment (FDI)	<ul style="list-style-type: none"> • Investment should be completed within five years from the date of move-in contract. • The FDI amount should be at least equivalent to the land price (based on officially assessed land price). • Factory construction area: The building to land ratio requirement by industry should be satisfied (12-20%) 	<ul style="list-style-type: none"> • Investment should be completed within five years from the date of move-in contract. • The minimum investment requirement by industry should be satisfied.

(1) Complex-Type Foreign Investment Zones – Requirements and Designation Status

Requirements for designation

- The occupancy demand should be at least 60 percent of the complex area and measure at least 330,000 m²
 - * When the occupancy rate of an existing foreign investment zone in the same municipality is below 80 percent, new or modified designation will be restricted.
- Requirements for designation outside the Seoul metropolitan area: The occupancy demand that has notified foreign investment should be at least 30 percent of the complex area and the explicit occupancy demand should be 60 percent or more of the complex area.
- Requirements for expansion of existing zones: The occupancy demand should be at least 80 percent of the existing designated area and the occupancy demand that has notified foreign investment should be at least 60 percent of the entire complex area.

Occupancy requirements and limits

- **(Eligibility)** The foreign investment ratio should be 30 percent or higher and registration as a foreign-invested company is required.
 - * However, the foreign investment ratio should be 10 percent or higher in standard factories in the Daebul Industrial Complex, and 50 percent or higher for businesses prescribed in Article 25 (1) 3 (a), (b) of the Enforcement Decree of the Act.
- **(Minimum investment)** Investment equal to or more than the price of the factory site (the higher between the purchase price and the officially assessed land price) should be attracted within five years.
- **(Factory building area)** The minimum building to land ratio required by industry shall apply (12-20 percent).

Site rental rate

A factory site can be leased for up to 50 years after the signing of an occupancy contract (to be renewed every 10 years).

		Rent reduction rate		Normal rent	Real rent	
		100%	90%	75%		
					1% of the land price	
Businesses accompanying high technology investing US\$1 million or more	Manufacturing businesses investing US\$2.5 million or more and hiring 200 employees or more	Manufacturing businesses investing US\$2.5 million or more and hiring 150 employees or more	Manufacturing businesses investing US\$5 million or more	Manufacturing businesses investing US\$2.5 million or more and hiring 70 employees or more	Foreign-invested companies that have complied with the move-in contract	Foreign-invested companies that have yet to comply with the occupancy contract and domestic companies in FIZs (suppliers)

※ Manufacturing businesses investing US\$5 million or more: 100% exempted in the case of industrial complexes exclusively for parts or materials businesses; 50% reduced in the case of other industrial complexes.

Rental deposit

A deposit equal to one year's worth of real rent should be deposited (can be paid in up to four installments within one year). If the deposit exceeds 10 million won, 50 percent of the excess

amount is reduced. The rental deposit may be replaced with a surety insurance certificate on a tenant company's request.

Execution of business plan

- The occupancy requirements (minimum FDI amount, minimum building to land ratio) should be fulfilled within five years from signing the occupancy contract. The eligibility and requirements for occupancy (foreign investment ratio of 30 percent or more, foreign investment amount of 100 million won or more) should be maintained after the business plan execution period.
- In the event that the eligibility criteria for occupancy are not met, the real rental rate shall be imposed. When there are inevitable causes, the business execution period may be extended by up to two years after a negotiation with the Ministry of Trade, Industry & Energy. The market rent rate shall be applied to the excess area from the time when eligibility for occupancy is no longer met.
- In the event that the committed foreign investment amount is not fully invested, the real rental rate shall be applied retroactively from the day on which the business fails to satisfy the minimum required foreign investment amount. If inevitable, however, the business may be granted a grace period of up to one year from the date on which the business plan execution period expires after negotiations with the Minister of Trade, Industry & Energy. The real rental rate shall be applied to the excess area retroactively from the day on which the business fails to satisfy the requirements.
- In the event that the minimum required factory floor area is not satisfied, the market rent rate shall be applied to the excess area retroactively from the day on which the business fails to satisfy the minimum required factory floor area. If inevitable, however, the business may be granted a grace period of up to one year from the expiry of the performance period pursuant to consultation with the Minister of Industry, Trade & Energy. The market rent rate shall be applied to the excess area retroactively from the day on which the business fails to satisfy the requirements.
- Any purchased industrial site shall not be disposed of within five years from the date of signing the purchase contract. An amount equal to the funds supported by the state or municipal government shall be returned if the land is sold within 10 years.
- The construction of a factory building should be commenced within two years from signing the occupancy contract (Article 42 (1) 1 of the Industrial Cluster Development and Factory Establishment Act); however, in the case of construction within a complex-type foreign investment zone, it should be commenced within one year.
- The construction of a factory building should be completed within five years from signing the occupancy contract (Amended Dec. 31, 2014)

Occupancy system for suppliers

- Foreign-invested companies that have signed an occupancy contract may request that their suppliers (domestic company with no foreign-held shares) be permitted to occupy 30 percent or less of the factory's gross floor area for the purpose of process shortening or cost reduction.
- A permission will be granted after the evaluation of a review committee and the consent of the Minister of Trade, Industry & Energy. Suppliers' occupancy contract should be renewed every five years.
- The rental rate for suppliers are decided at a similar level to that of factory sites in nearby industrial complexes (real rental rate).

<Complex-Type Foreign Investment Zones (As of end-December 2014)>

No.	Foreign investment zone	Initial designation date	Leased area (1,000m ²)	Occupied area (1,000m ²)	Area available for lease (1,000m ²)	Rent in 2015 (Monthly rent per m ² , unit: won)	No. of companies in the zone
1	Cheonan (Chungnam)	Oct. 13, 1994	491.3	480	11.3	283	41
2	Daebul (Jeonnam)	Aug. 29, 1998	1,602	1,584.8	17.2	152	36
3	Sacheon (Gyeongnam)	Aug. 17, 2001	495.9	495.9	0	194	15
4	Ochang (Chungbuk)	Nov. 6, 2002	446.3	378.9	67.4	203	9
5	Gumi (Gyeongbuk)	Nov. 6, 2002	332.3	164.3	168	137	8
6	Jangan1 (Gyeonggi)	Sep. 30, 2004	418.2	309.5	108.7	242	14
7	Inju (Chungnam)	Dec. 21, 2004	160	160	0	149	8
8	Dangdong (Gyeonggi)	Sep. 12, 2005	239.4	210	29.4	383	6
9	Jisan (Busan)	Nov. 30, 2005	298.1	278.3	19.8	376	11
10	Jangan 2 (Gyeonggi)	Dec. 21, 2006	368.9	148.5	220.4	303	4
11	Dalseong (Daegu)	Sep. 10, 2008	104.2	93	11.2	130	6
12	Gumi (Parts)	Mar. 9, 2009	246.3	113.4	132.9	136	6
13	Oseong (Gyeonggi)	Sep. 3, 2009	354	37.3	316.7	323	5
14	Pohang (Parts)	Sep. 3, 2009	327.2	129.6	197.6	127	2
15	Iksan (Parts)	Mar. 12, 2010	320	122.5	197.5	103	3
16	Changwon (Parts)	Oct. 14, 2010	71.4	33.3	38.1	451	2
17	Mieum (Parts)	Dec. 28, 2011	332	121.7	210.3	439	7
18	Cheonan 5 (Chungnam)	Dec. 21, 2012	336.2	15	321.2	207	5
19	Woljeon (Gwangju)	May. 15, 2013	99	93	6	152 (no.1) 250 (no.2)	2
20	Munmak (Gangwon)	Dec. 10, 2013	99.1	0	99.1	249	0
21	Jincheon-Sansu (Chungbuk)	Aug. 20, 2014	108.4	28.0	80.4	145	1

※ Source: Foreign Investment Guide (<http://fims.kicox.or.kr>), Korea Industrial Complex Corporation

(2) Individual-Type Foreign Investment Zones – Requirements and Designation Status

- **Designation procedure:** Individual-type foreign investment zones are locations tailored to large-scale investors designated by the Foreign Investment Working Committee of the Ministry of Trade, Industry & Energy. Based on the designation plan submitted by the mayor or governor of

the relevant city or province, the Committee deliberates on factors such as investment feasibility, regional development effects, employment effects, and government financing effects.

- **Designation criteria:** The foreign investment amount prescribed by Article 25 (1) of the Enforcement Decree of the Act refers to the amount of foreign investment in Article 2 (1) 4 of the Act. However, in individual-type zones, the investment amount that had been paid before application for designation shall be excluded.

Industries	Designation requirement
Manufacturing businesses, businesses accompanying high technology, industry-supporting service business (logistics)	FDI of US\$ 30 million or more
Tourism, industry-supporting service business (excluding logistics)	FDI of US\$ 20 million or more (e.g., tourist hotel business, universal amusement facility business)
Logistics, SOC	FDI of US\$ 10 million or more (e.g., integrated freight terminal business)
R&D facilities	R&D facilities for industry-supporting service business, and business accompanying high technology - FDI of US\$ 2 million or more (with at least 10 researchers holding a master's degree or higher having research experience of three years or more)

<Individual-Type Foreign Investment Zones (As of end-December 2014)>

No.	Foreign investment zone	Location	Area (1,000m ²)	Initial designation date	No.	Foreign investment zone	Location	Area (1,000m ²)	Initial designation date
1	KOREA TAIYO YUDEN Co., Ltd.	Sacheon (Gyeongnam)	171.6	Oct. 22, 1999	13	Lintec Korea	Cheongwon (Chungbuk)	49.6	Dec. 31, 2004
2	J.S.T KOREA Co., Ltd.	Yangsan (Gyeongnam)	20.2	Mar. 14, 2000	14	AGC Display Ochang	Cheongwon (Chungbuk)	164.8	May. 27, 2005
3	Korea Autoglass	Sejong City	190.5	Dec. 30, 2000	15	Linde Korea	Yongin (Gyeonggi)	26.7	Nov. 23, 2005
4	Basf Korea	Yeosu (Jeonnam)	591.7	Dec. 30, 2010	16	Praxair Korea	Hwaseong (Gyeonggi)	48.6	Nov. 28, 2005
5	Basf Korea	Gunsan (Jeonbuk)	14.2	Jan. 12, 2001	17	Times Aerospace Korea	Gimpo (Gyeonggi)	335.5	Mar. 29, 2006
6	Dongbu Hitek	Eumseong (Chungbuk)	137.2	Jun. 29, 2001	18	Hanwook Techno Glass	Gumi (Gyeonggbuk)	105.7	May. 8, 2006
7	Dongwoo Fine-chem	Pyeongtaek (Gyeonggi)	252.3	Dec. 29, 2003	19	USG Boral	Dangjin (Chungbuk)	17.8	Dec. 26, 2006
8	Asahi Glass Fine Techno Korea	Gumi (Gyeongbuk)	327.2	Jul. 20, 2004	20	Asahi PD Glass Korea	Gumi (Gyeongbuk)	63.9	Dec. 28, 2006
9	Korea MCC Logistics	Saha-gu (Busan)	67.9	Dec. 23, 2004	21	Air Products Korea Electronics	Nam-gu (Ulsan)	27.2	Dec. 28, 2006
10	Toray Advanced Materials Korea_Factory 3	Gumi (Gyeongbuk)	191.4	Dec. 30, 2004	22	Daesan MMA	Seosan (Chungnam)	66.6	Aug. 9, 2006
11	Avan Strate Korea	Pyeongtaek (Gyeonggi)	88.8	Dec. 30, 2004	23	Stanford Hotel Korea	Mapo-gu (Seoul)	26.3	May. 17, 2007
12	Korea Hoya Electronics	Pyeongtaek (Gyeonggi)	18.6	Dec. 30, 2004	24	Ilsang Ocean Development	Yeosu (Jeonnam)	115.2	Nov. 20, 2007

No.	Foreign investment zone	Location	Area (1,000m ²)	Initial designation date	No.	Foreign investment zone	Location	Area (1,000m ²)	Initial designation date
25	Horizon Taeyoung Korea	Ulju-gun (Ulsan)	43.3	Dec. 6, 2007	49	SSLM	Dalseong-gu (Daegu)	110.4	Aug. 1, 2011
26	3M Korea High-tech	Naju (Jeonnam)	5.5	Dec. 27, 2007	50	UMICORE KOREA LIMITED	Cheonan (Chungnam)	31.7	Dec. 20, 2011
27	Toray Battery Separator Film	Gumi (Gyeongbuk)	228.7	Mar. 31, 2008	51	Tongsuh Petrochemical	Nam-gu (Ulsan)	28.7	Dec. 22, 2011
28	Plaxair Korea	Asan (Chungnam)	15.8	Jul 30, 2008	52	Air Products Korea	Asan (Chungnam)	10.8	Mar. 12, 2012
29	Power Carbon Technology	Gumi (Gyeongbuk)	74.5	Dec. 18, 2008	53	Goulds Pump	Cheongwon (Chungbuk)	46.9	Sep. 21, 2012
30	Danone Korea	Muju (Jeonbuk)	119.9	Feb. 27, 2009	54	Dongwoo Fine-chem	Iksan (Jeonbuk)	38.7	Mar. 29, 2012
31	Eastman Fiber Korea	Nam-gu (Ulsan)	37.7	Sep. 3, 2009	55	ASE Korea	Paju (Gyeonggi)	27.4	Sep. 28, 2012
32	Jeju Yerye Residencial District	Seogwipo (Jeju)	433.0	Nov. 12, 2009	56	Samsung Corning Advanced Glass	Asan (Chungnam)	131.3	Oct. 2, 2012
33	ZincOx Korea	Gyeongju (Gyeongbuk)	119.1	May. 10, 2010	57	Advantest Korea	Cheonan (Chungnam)	39.6	Oct. 2, 2012
34	Seohan-NTN Bearing Co., Ltd	Gyeongju (Gyeongbuk)	86.9	May. 10, 2010	58	Hyundai and Shell Base Oi	Seosan (Chungnam)	19.0	Oct. 2, 2012
35	Rohm Haas Electronic materials	Cheonan (Chungnam)	50.0	Sep. 30, 2010	59	Nisso Namhae Agro	Yeosu (Jeonnam)	8.0	Oct. 5, 2012
36	Edwards Korea	Cheonan (Chungnam)	40.0	Sep. 29, 2010	60	Ulsan Aromatics	Nam-gu (Ulsan)	168.4	Oct. 11, 2012
37	Fairchild Semiconductor Company	Bucheon (Gyeonggi)	6.6	Dec. 29, 2010	61	Baekdongshinwon_ Jeju Resort	Seogwipo (Jeju)	349.4	Oct. 8, 2012
38	Oilhub Korea	Yeosu (Jeonnam)	284.3	Dec. 30, 2010	62	SK Continental E-motion	Seosan (Chungnam)	4.8	Oct. 24, 2013
39	Cargill Agri Purina, Inc.	Dangjin (Chungnam)	55.8	Dec. 30, 2010	63	Lotte Versalis	Yeosu (Jeonnam)	150.0	Dec. 12, 2013
40	Cargill Processed Fat	Dangjin (Chungnam)	52.1	Dec. 30, 2010	64	Toray Advanced Materials Korea	Gunsan (Jeonbuk)	214.6	Dec. 13, 2013
41	Hyundai Cosmo	Seosan (Chungnam)	103.4	Dec. 30, 2010	65	Air Products Korea	Hwaseong (Gyeonggi)	5.9	Dec. 20, 2013
42	Daw Chemical OLED	Cheonan (Chungnam)	39.5	May. 20, 2011	66	Nitti Denko Corporation	Pyeongtaek (Gyeonggi)	13.2	Dec. 24, 2013
43	Daesan MMA	Yeosu (Jeonnam)	70.6	May. 20, 2011	67*	Legoland Korea	Chuncheon (Gangwon)	281.1	Apr. 29, 2014
44	Hyundai Avancis	Cheongwon (Chungbuk)	145.3	May. 20, 2011	68	Initz	Nam-gu (Ulsan)	22.1	Jun. 26, 2014
45	Molex Korea	Ansan (Gyeonggi)	13.9	May. 26, 2011	69	NRG Corporation	Yesan (Chungnam)	24.3	Jun. 30, 2014
46	Denso International Korea	Uiwang (Gyeonggi)	20.6	Jul 20, 2011	70	SK Advanced	Ulsan	104.4	Nov. 13, 2014
47	PACIFIC OCEAN AIRCONTROL	Asan (Chungnam)	10.1	Jul 20, 2011	71	Toray Advanced Materials	Gumi (Gyeongbuk)	269.7	Dec. 16, 2014
48	Taegu Tec_Factory 2	Dalseong-gu (Daegu)	57.8	Aug. 1, 2011					

(3) Service-Type Foreign Investment Zones

- **Background of introduction:** Manufacturing-oriented complex-type foreign investment zones that provide low-rent factory sites are not effective enough for attracting R&D or other service businesses that require a building space. Therefore, the location system for service-type foreign investment zones was introduced for industrial complexes and other regions (buildings included).
- **Requirements for designation:** The land or building to be designated should be available for immediate occupancy and the occupancy demand that completed foreign investment notification should be specified. When a certain area of the national and public property (including buildings) has been designated in advance, two or more investment-notified companies must secure over 30 percent of the designated space.

<Occupancy Requirements>

Business category	Type of business (KSIC code)	Employment	Minimum FDI
R&D	Natural engineering and engineering R&D (7011, 7012)	5 or more research personnel	The FDI amount should be equal to or more than the price of the land or building to be leased.
Finance and insurance	-	30 or more employees	
Knowledge service	-		
Industry-supporting service (excluding logistics)	-		
Cultural business	5811, 5821, 59, 6312, 6399, 732		
Tourism	Resort condo, tourist hotel, marine tourist hotel, traditional Korean-style hotel, profession resort, comprehensive resort, comprehensive recreation facility, international conference facility, youth training facility		

3-2 Industrial Complexes Specializing in Parts and Materials

(1) Background

Industrial complexes specializing in parts and materials are complex-type foreign investment zones. They are industrial complexes created to induce foreign companies from Japan, Germany, etc. with advanced technology in parts and materials. Industrial complexes specializing in parts and materials are designated in industrial complexes in the cities of Gumi, Pohang and Iksan and the Busan-Jinhae Free Economic Zone due to their proximity to large Korean companies and convenient living conditions for foreigners. The industrial complexes specializing in parts and materials are expected to facilitate the introduction of advanced foreign technology in parts and materials, substitute import (i.e. increase in export) and induce foreign investment.

<Industrial Complexes Specializing in Parts and Materials>

Industrial complex	Gumi	Pohang	Iksan	Changwon	Mieum (Located in Busan)
Designated date	Mar. 9, 2009	Sept. 3, 2009	Mar. 12, 2010	Sep. 28, 2010	Dec. 28, 2011
Size (1,000 m ²)	246.3	327.2	320.4	71.4	331.9
Targeted industries	Display, mobile, electronic materials	Steel, shipbuilding	Automobile, machinery, equipment, electronics, chemicals	Automobile, machinery, electronics, chemicals	Auto parts, shipbuilding materials

* Source: Parts & materials complex website, www.pmcomplex.go.kr

※ The same eligibility, move-in procedure, designation and follow-up management for complex-type foreign investment zones shall apply to parts and materials complexes, and parts and materials businesses as prescribed by the Act on Special Measures for the Promotion of Specialized Enterprises, etc. for Components and Materials are given priority for move-in. Foreign investment equal to or more than the price of the site area is required for move-in.

(2) Investment Incentives

	Investment requirements	Incentives
Tax reduction	- Manufacturing businesses: Investment of US\$10 million or more - Logistics businesses: Investment of US\$5 million or more	- Corporate tax and income tax reduction for five years: 100% in the first three years followed by 50% in the following two years - Local tax exemption for 8-15 years
Rent reduction	- Investment of US\$1 million or more for businesses involving high technology - Investment of US\$5 million or more in general manufacturing businesses	Rent-free (Security deposit is still required.)

3-3 Free Trade Zone

Industrial complexes, airports, seaports, distribution complexes, freight terminals, etc. are designated as free trade zones to attract manufacturing and logistics businesses and to create a synergy effect by clustering such businesses. In a free trade zone, national and local taxes are reduced or exempted depending on the line of business and investment size. Also, customs duties are deferred for foreign goods and certain domestic goods introduced into a free trade zone, and a zero rate of value added tax is applied.

Free trade zones have the advantage of not having to undergo complicated procedures for refunds, etc. when exporting products manufactured with imported raw materials. In addition, companies may lease land or factories, etc. for an extended period at a low cost, thereby creating favorable business conditions for foreign-invested companies engaged in export-oriented manufacturing business, logistics business such as warehousing, distribution, loading, and packing, etc. as well as wholesale for import and export. In particular, free trade zones are optimal locations for large-scale foreign-invested companies that operate both manufacturing and logistics businesses.

※ Qualifications for occupancy

- Domestic and foreign-invested companies in the manufacturing business mainly for export
- Companies in the wholesale business mainly for import and export trade
- Companies in the logistics business such as warehousing, exhibitions, loading, transportation, etc.
- Businesses supporting tenant companies through finance, customs clearance, data processing, etc.

※ Prioritized businesses

- High-tech businesses publicly notified by the Minister of Trade, Industry & Energy
- Businesses involving advanced technology & industry-supporting service businesses under the Restriction of Special Taxation Act
- Businesses subject to foreign investment promotion, associated with regional strategic industries
- Manufacturing businesses with significant technology transfer and job creation effects

(1) Incentives

Incentive	Eligibility	Details
Tax reduction or exemption	<ul style="list-style-type: none"> • Businesses involving advanced technology & industry-supporting service businesses • Manufacturing businesses investing US\$ 10 million or more • Logistics businesses investing US\$ 5 million or more 	<ul style="list-style-type: none"> • National tax (corporate tax, income tax) reduction for five years (100% for three years, 50% for the following two years) * Reduction for seven years in the Masan Free Trade Zone (100% for five years, 50% for the following two years) • Local tax (acquisition tax, registration tax) exemption for 15 years
Customs duty benefits	<ul style="list-style-type: none"> • Customs duties are exempted for construction materials, raw materials and other goods necessary for fulfilling business objectives that are imported from overseas for use and consumption in a free trade zone. • Customs duties are exempted or refunded for domestic goods declared as carried into a free trade zone 	
Zero rate of VAT	<ul style="list-style-type: none"> • For domestic goods declared as carried into a free trade zone • Foreign goods and services supplied or provided among companies in free trade zones. 	
Rent reduction or exemption	<ul style="list-style-type: none"> • 100% exemption of rent <ul style="list-style-type: none"> - Foreign-invested companies with new foreign investment of US\$ 10 million or more - Foreign-invested companies with foreign investment ratio of 30% or higher and new foreign investment of US\$ 1 million or more - New foreign investment of US\$ 500,000 or more in high-technology businesses, businesses accompanying high technology & industry-supporting service businesses 	

(2) Designation Status

Free trade zones are divided into industrial complex-type and airport or seaport type. There are seven industrial complex-type free trade zones in regions such as Masan, Iksan, Gunsan and Daebul and six airport and seaport-type free trade zones in Incheon airport, Busan port, Pohang port, Pyeongtaek-Dangjin Port and Gwangyang Port. Distribution complexes and cargo terminals can also be designated as a free trade zone.

< Industrial Complex-Type Free Trade Zones >

Category	Masan	Gunsan	Daebul	Donghae	Yulchon	Ulsan	Gimje
Date of designation	Jan. 1 2007	Oct. 6, 2000	Nov. 21, 2002	Dec. 12, 2005	Dec. 12, 2002	Dec. 8, 2008	Jan. 6, 2009
Area (1,000m ²)	957	1,256	1,157	248	344	837	991

< Airport/Seaport-Type Free Trade Zones >

Category	Busanhang Port	Pohanghang Port	Pyeongtaekhang and Dangjinhang Ports	Gwongyanghang Port	Inchenghang Port	Incheon Air Port
Date of designation	Jan. 1, 2010 ²	Dec. 8, 2008	Mar. 30, 2009	Jan. 1, 2002	Jan. 1, 2003	Apr. 6, 2005 (Phase 1) Dec. 31, 2007 (Phase 2)
Area (1,000m ²)	9,363	724	1,429	8,880	2,014	3,015

* Source: Ministry of Trade, Industry & Energy website (www.motie.go.kr)

3-4 Free Economic Zone

Free economic zones are special economic zones designed to actively induce foreign direct investment by guaranteeing free business activities and investment incentives to the maximum possible extent, primarily by alleviating various regulations while improving the business and living conditions of foreign-invested businesses.

Also, a wide range of free business activities are guaranteed by providing various tax incentives, deregulation, convenient living conditions and simplified administrative services. In addition, foreign education facilities and hospitals are operated, foreign language services are provided, the use of foreign currency and foreign broadcasting is permitted, and tax cuts and fund support are offered for foreign-invested companies.

Incheon, Busan-Jinhae, Gwangyang Bay area, Yellow Sea, Daegu-Gyeongbuk, Saemangeum-Gunsan (Saemangeum project area), East Coast, and Chungbuk Free Economic Zones are currently designated. They are expected to become a logistics hub of Northeast Asia and a center for high value added service businesses and high tech businesses.

* The Saemangeum-Gunsan Free Economic Zone lost its status as an FEZ (Aug. 2014) and has been incorporated into the Saemangeum Project Region pursuant to the Special Act on the Promotion of the Saemangeum Project Region.

※ Qualifications for occupancy

Foreign-invested companies (manufacturing, logistics), medical institutions, education institutions, foreign broadcasting stations, financial institutions, etc.

(1) Designation Status

< Free Economic Zones >

Zone	Incheon	Busan-Jinhae	Gwangyang Bay Area	Daegu-Gyeongbuk	Saemangeum-Gunsan	Yellow	East Coast	Chungbuk
Location	Incheon (Yeonsu-gu, Jung-gu, Seo-gu)	Busan (Gangseo-gu) Gyeongnam (Changwon-si)	Jeonnam (Yeosu, Suncheon, Gwangyang), Gyeongnam (Hadong-gun)	Daegu, Gyeongbuk (Gyeongsan, Yeongcheon, Pohang)	Jeonbuk (Gunsan, Buan)	Gyeonggi (Pyeongtaek)	Gangwon (Gangneung, Donghae)	Cheongwon, Chungju
Area (km ²)	132.91	52.9	77.71	22.01	28.6	4.4	8.25	9.08
Airport/seaport	Incheon Airport, Incheon Port	Gimhae Airport, Busan New Port	Gwangyang Port	Daegu Int'l Airport	Gunsan Gunjang New Port	Pyeongtaek Dangjin Port	Yangyang Airport Donghae Port	Cheongju Airport
Implemented period	2003-2022	2003-2020	2003-2020	2008-2020	2008-2020	2008-2020	2013-2024	2013-2020
Project areas	Songdo, Yeongjong, Cheongna	Sinhangman, Myeongjin, Jisa, Dudong, Ungdong	Gwangyang, Yulchon, Sindeok, Hwayang, Hadong	Daegu, Yeongcheon, Gyeongsan, Pohang, Gumi	Gunsan, Saemangeum, Gogunsan	Songak, Inju, Poseung, Hyundeok, Hanjung	Bukpyeong, Mangsang, Okgye, Gujeong	Bio Valley, Airo, Eco
Targeted businesses	International business, IT, BT, R&D, aircraft, logistics, tourism, finance, leisure, high-tech business	Busan New Port-based logistics, international business, high-tech parts and materials business, R&D, resort and leisure businesses	Logistics, manufacturing, steel, machinery, assembly, metal, new and renewable energy, tourism, leisure	Hi-tech transportation components, hi-tech medical business, IT convergent business	Hi-tech parts, chemicals, auto parts, energy, MRO, industrial logistics, high-tech knowledge-based business, R&D, international cooperation, culture & tourism	Automobiles, electronics, parts and materials, chemicals, logistics	Advanced materials, logistics, medical or marine tourism, non-ferrous metal, super light-weight advanced parts and materials, housing, education, medical and cultural facilities	BT, IT, medical research, clinical trial drugs and medical equipment, aviation, logistics, aircraft maintenance, electric auto parts, new and renewable energy

* Source: Free Economic Zone management authority website (www.fez.go.kr)

(2) Incentives

Recipient/ Support		Tax Incentives	Reduction Period & Rate	Requirements for Reduction
Foreign-invested businesses in free economic zones	National tax	Corporate tax, income tax	For three years: 100% The following two years: 50%	Manufacturing: US\$30 million or more Tourism: US\$20 million or more Logistics: US\$10 million or more R&D: US\$2 million or more
			For five years: 100% The following two years: 50%	Manufacturing: US\$10 million or more Tourism: US\$10 million or more Logistics: US\$5 million or more Medical facilities: US\$5 million or more R&D: US\$1 million or more
	Customs duty	Exempted for five years from the import declaration date	Imported capital goods	
	Local tax	Acquisition tax, property tax	100% exempted for 15 years	Manufacturing: US\$10 million or more Tourism: US\$10 million or more Logistics: US\$5 million or more Medical facilities: US\$5 million or more R&D: US\$1 million or more
Financial support	Cash grant	<ul style="list-style-type: none"> To be decided through negotiations, but at least 5% of the FDI amount is provided Factory and R&D facility installation expense, employment and education and training subsidies Eligibility: Foreign-invested companies with foreign investment ratio of 30% or higher. The recipients are decided through a deliberation on accompaniment of high technology, technology transfer effects and job creation effects, etc. 		
	Infrastructure facilities	<ul style="list-style-type: none"> Roads, railroads, airport, port facilities, sewage system, waste disposal facilities, etc. Eligibility: 50% of the construction expense is supported; 100% if the Free Economic Zone Committee adopts a resolution 		
	Foreign education facilities and research facilities	<ul style="list-style-type: none"> Expenses for establishing, operating and constructing a foreign education facility are supported. Eligibility: Investments that meet certain criteria such as reputability, contribution to national development, etc. 		
	Rent	<ul style="list-style-type: none"> State-owned or public land can be leased for up to 50 years. (Contract renewable for another 50 years.) The rent is set at around 1% of the land price. 		
Other support	Eased labor regulations	<ul style="list-style-type: none"> Exemption from mandatory employment of the physically disabled Unpaid holidays for employees, scope of businesses permitted to use dispatched workers expanded and dispatch period extended 		
	Free foreign exchange transactions	<ul style="list-style-type: none"> For current transactions of US\$10,000 or less, direct payment between the involved parties is permitted 		

* Source: Free Economic Zone management authority website (www.fezone.go.kr)

3-5 Foreign Investment Location Incentives

(1) Comparison of FIZ, FTZ and FEZ

Classification	Foreign investment zone (FIZ)		Free trade zone (FTZ)		Free economic zone (FEZ)
	Complex-type	Individual-type	Industrial complex-type	Airport/seaport or logistics-type	
Governing law	Foreign Investment Promotion Act		Act on the Designation & Management of Free Trade Zones		Special Act on the Designation & Management of Free Economic Zones
Purpose of designation	Foreign capital inducement, transfer of advanced technologies, job creation		Foreign capital inducement, trade promotion, regional development	Foreign capital inducement, development of international logistics base	Foreign capital inducement, international competitiveness enhancement, and balanced regional development
Location	Inside industrial complexes	No limitations	Areas near airports or seaports, industrial complexes	Airports or seaports, logistics complexes, cargo terminals	Areas near international airports and seaports
Characteristics	Lease-only complexes	Individual business establishments are designated	Customs-free zone		Comparable to special administrative zones (cooperatives of municipal governments) * Apprx. 65 to 200 million m ²
Designating authority	Mayor or provincial governor *Foreign Investment Committee's deliberation required		Minister of Trade, Industry & Energy		Minister of Trade, Industry & Energy *Foreign Investment Committee's deliberation required
Managing authority	State industrial complexes: Industrial complex management authorities Others: Mayor or provincial governor		Minister of Trade, Industry & Energy		Free Economic Zone management authority
Eligibility for move-in	Foreign investment ratio of 30% or higher • Manufacturing, logistics, etc. • Foreign investment equal to or more than the price of the leased land should be executed within five years from the contract date	FDI requirements: • Manufacturing: US\$30 million or more • Tourism: US\$20 million or more • Logistics: US\$10 million or more • R&D: US\$2 million or more (10 or more researchers holding a master's degree or higher with three or more years' experience)	• Export-oriented domestic or foreign businesses • Foreign-invested business • Wholesale businesses mainly for import/export • Integrated logistics businesses		• Foreign-invested businesses • Manufacturing, logistics, hospitals, education facilities, foreign broadcasting, financial service institutions, etc.
Requirements for tax reduction	• Manufacturing: US\$10 million or more • Logistics: US\$5 million or more	Identical to designation requirements above	Identical to those applicable to complex-type foreign investment zones (Article 121, Restriction of Special Taxation Act)		• Manufacturing, tourism: US\$10 million or more • Logistics, medical institution: US\$5 million or more
Taxes reduced	• Corporate tax and income tax: for 5 years • Local tax: For up to 15 years	• Corporate tax and income tax: For seven years • Local tax: For up to 15 years	• Corporate tax and income tax: For five years • (100% for the first three years, 50% for the remaining two years) • Local tax: Up to 15 years, determined by ordinances		• Corporate tax and income tax: For five years • (Seven years when qualified as an individual-type foreign investment zone) • Local tax: Up to 15 years
Corporate tax and income tax reduced for seven years (100% for the first five years, 50% for the remaining two years) irrespective of the region in the case of industry supporting service businesses and businesses accompanying high technology					

Classification	Foreign investment zone (FIZ)		Free trade zone (FTZ)		Free economic zone (FEZ)
	Complex-type	Individual-type	Industrial complex-type	Airport/seaport or logistics-type	
Customs duty reduction	Exempted for five years from the day on which imported capital goods have been declared		Customs duty withheld (imported goods, capital goods)		Customs duty on capital goods exempted for five years
Rent	Approximately 10/1,000 of the site value (Specified in the basic administration plan)	100% exempted in the case of state-owned properties	Approximately 10/1,000 of the site value (Determined by the managing authority after consultation with the Ministry of Strategy and Finance)		Approximately 10/1,000 of the site value (Determined by the managing authority)
Rent reduction rate	<ul style="list-style-type: none"> • Businesses accompanying advanced technology investing US\$1 million or more: 100% reduction • General manufacturing businesses investing US\$5 million or more: 75% reduction (100% reduction in the case of industrial complexes specializing in parts and materials) • Manufacturing businesses investing US\$ 2.5 million or more and employing 200 workers or more: 100% exemption • Manufacturing businesses investing US\$ 2.5 million or more and employing 150 workers or more: 90% reduction • Manufacturing businesses investing US\$ 2.5 million or more and employing 70 workers or more: 75% reduction 		Generally, land rent is 100% exempted for companies with foreign investment of US\$10 million or more; companies with foreign investment of US\$1 million and foreign investment ratio of 30% or more; and companies accompanying advanced technology investing US\$500,000 or more	Determined by the managing authority based on ordinances (50%-100% reduction)	

Source: 2014 Industrial Location Handbook, Korea Industrial Complex Corporation

(2) Tax Reduction: National tax (corporate tax and income tax) and local tax (acquisition tax and property tax)

Eligibility	Tax Reduction Method		
	Reduced Tax	Reduction Period	Investment Requirements
<ul style="list-style-type: none"> • Businesses accompanying advanced technology and industry supporting service businesses • Companies in individual-type foreign investment zones 	<ul style="list-style-type: none"> • National tax (Corporate tax and income tax) 	<ul style="list-style-type: none"> • Reduced for seven years - For five years: 100% - The following two years: 50% 	<ul style="list-style-type: none"> • Advanced technologies: None • Industry: <ul style="list-style-type: none"> - Manufacturing: US\$30 million or more - Tourism: US\$20 million or more - Logistics: US\$10 million or more - R&D: US\$2 million or more, 10 or more employees holding a master's degree or higher
<ul style="list-style-type: none"> • Companies in complex-type foreign investment zones • Companies in free economic zones • Companies in free trade zones • Companies in enterprise city development zones 	<ul style="list-style-type: none"> * Local tax (acquisition tax and property tax): Up to 15 years 	<ul style="list-style-type: none"> • Reduced for five years - For three years: 100% - The following two years: 50% 	<ul style="list-style-type: none"> • Manufacturing: US\$10 million or more • Tourism: US\$10 million or more • Logistics: US\$5 million or more • R&D: US\$1 million or more ※ Enterprise cities: US\$10 million or more

Eligibility	Tax Reduction Method		
	Reduced Tax	Reduction Period	Investment Requirements
<ul style="list-style-type: none"> Free economic zone development project entities Enterprise city development project entities Jeju Investment Promotion Zone development project entities 	<ul style="list-style-type: none"> National tax (corporate tax and income tax) 	<ul style="list-style-type: none"> Reduced for five years <ul style="list-style-type: none"> For three years: 100% The following two years: 50% 	<ul style="list-style-type: none"> US\$30 million or more Foreign investment share of 50% or more, total project amount of US\$500 million or more

(3) Exemption of Customs Duty, etc. (Article 121-3, Restriction of Special Taxation Act)

Eligibility	Tax Exemption Method		
	Exempted Tax	Exempted Period	Eligible Capital Goods
<ul style="list-style-type: none"> Businesses accompanying advanced technology and industry supporting service businesses Companies in individual-type foreign investment zones 	<ul style="list-style-type: none"> Customs duty Special excise tax Value added tax 	Capital goods that completed import declaration within five years from signing the move-in contract	Capital goods imported through investment by acquisition of new shares As free trade zones are customs-free zones, customs duties are withheld for imported foreign goods and customs duties are refunded for domestic goods.
<ul style="list-style-type: none"> Companies in complex-type foreign investment zones Companies in free trade zones Companies in free economic zones 	<ul style="list-style-type: none"> Customs duty 		

(4) Financial (Location) Support

Governing law	<ul style="list-style-type: none"> Article 14 of the Foreign Investment Promotion Act Article 6 of the guidelines on funding local governments' foreign investment attraction activities 		
Eligible businesses	<ul style="list-style-type: none"> Businesses with foreign investment ratio of 30 percent or higher or businesses whose largest shareholder is a foreigner 		
Support ceiling	<ul style="list-style-type: none"> The maximum amount of funds provided for the central or local government's foreign investment attraction activities is: <ul style="list-style-type: none"> The amount equal to 50 percent of the targeted FDI amount; or The amount equal to 25 percent of the sum of the FDI amount and the reinvested earned surplus amount (The foreign investment ratio should remain at 25% or higher.) 		
Support Provided	Details		
(i) Provision of land for lease	Provision of land for lease through designation and purchase of foreign investment zones, etc.		
① Land purchase	Sharing of land purchase costs: <ul style="list-style-type: none"> Seoul metropolitan area: 30% by the central government, 70% by the local government Areas outside the Seoul metropolitan area: 60% by the central government, 40% by the local government 		
② Rent reduced (state-owned properties) * The lease period can be renewed by up to 50 years	Eligibility	Rent reduction rate	
	Individual-type foreign investment zones	100% exempted	
	Businesses accompanying high technology investing US\$1 million or more	Complex-type investment zones	100%
		Industrial complexes	50%
	General manufacturing businesses investing US\$5 million or more	Complex-type investment zones	75%
		Industrial complexes	50%
Parts and materials businesses investing US\$5 million or more	Complex-type foreign investment zones (specializing in parts or materials)	100%	
※ Rent reduction for government properties is determined by municipal ordinances.			

Support Provided	Details
(ii) Subsidy for difference of sale price	The difference is subsidized when land owned by the central or local government, government-invested agencies or individuals is sold below the land development cost. - The subsidies vary based on municipal ordinances
(iii) Rent subsidized	When land owned by the central or local government, government-invested agencies or individuals is leased to foreign invested businesses at a reduced rental rate, the difference between the reduced rent and the original rent is subsidized.

(5) Other Support

- Appointment of a Project Manager*
- Cash subsidy for employment or education/training
- Exemption from mandatory employment of people of distinguished service to the State
- Exemption from traffic inducement dues for facilities or buildings in foreign investment zones

*** Project Manager**

The government operates a Project Manager system to efficiently support foreign investors or foreign-invested companies. The President of KOTRA may designate a Project Manager for each investor or company.

KOTRA employees, officials from foreign-investment related central administrative organizations and local governments, officials or employees belonging to government agencies prescribed by the Act on the Management of Public Institutions are eligible for designation as a Project Manager, and qualification as a Project Manager is awarded upon completion of Project Manager training courses.

Project Managers provide overall assistance to foreign investors and foreign-invested companies, ranging from collection and provision of information, arrangement of meetings, and settlement support for the employees of foreign-invested companies and their families.