04

FDI Incentives

1. Tax Support

For foreign investments that meet certain conditions, corporate tax, customs duties, etc. are reduced or exempted in accordance with the Restriction of Special Taxation Act. Also, acquisition tax and property tax are reduced or exempted under local government ordinances mandated by the Restriction of Special Taxation Act.

- Types of Tax Support
- Application for Tax Reduction or Exemption and Collection of Tax
- Other Tax Support

1.1 Types of Tax Support

(1) Corporate Tax Reduction or Exemption

Corporate tax reduction or exemption for foreign-invested companies applies to income generated by businesses that are eligible for tax exemption or reduction under the Restriction of Special Taxation Act. However, in cases where a Korean national (or Korean corporation) directly or indirectly holds five percent or more of the voting shares of a foreign company or a foreign corporation that has invested in a business subject to tax reduction or exemption, the portion of investment corresponding to the said shareholding is not subject to tax reduction or exemption. In other words, tax reduction or exemption shall not apply to overseas round-trip investment by a domestic resident.

<Summary of Tax Reduction for Foreign-Invested Businesses – Article 121-2 (1) of the Restriction of Special Taxation Act, Article 116-2 of its Enforcement Decree>

1. Corporate tax reduction for seven years (reduction rate: equal to the foreign investment ratio for the first five years, 50% of the foreign investment ratio for the following two years)

Eligible Businesses	Investment Requirements, etc.
• Businesses accompanying new growth driver industry technology (Subparagraph 1 of the Act) * New growth driver industry technology: Technologies for new growth driver industries and source technologies (designated under Attached Table 7 of the Enforcement Decree of the Restriction of Special Taxation Act), technologies on materials and production processes directly related to new growth driver industry technologies and source technologies (designated under Attached Table 14 of the Enforcement Rules of the Restriction of Special Taxation Act)	• Businesses accompanying new growth driver industry technology necessary for upgrading the domestic industrial structure and enhancing domestic industries' global competitiveness, which satisfy both of the following conditions (Article 116-2 of the Enforcement Decree of the Restriction of Special Taxation Act): - A manufacturing facility is installed or operated for business operation. - The foreign investment amount is USD 2 million or more.
• 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, Saemangeum project area, Jeju advanced science and technology complexes, Jeju investment promotion zone, etc. that have undergone deliberation and received approval by the relevant committees. (Subparagraph 2 of the Act) * Companies in a free export zone are granted the same tax reduction as companies in a foreign investment zone (individual-type).	• Manufacturing business: USD 30 million or more • System integration and management, data processing, etc.: USD 30 million or more • Tourism and resort business: USD 20 million or more • International convention, youth training facilities: USD 20 million or more • Logistics: USD 10 million or more • SOC: USD 10 million or more • R&D: USD 2 million or more • Joint venture business: USD 30 million or more

2. Corporate tax reduction for five years (reduction rate: equal to the foreign investment ratio for the first three years, 50% of the foreign investment ratio for the following two years)

Eligible Businesses	Investment Requirements, etc.
• Businesses in a free economic zone (Subparagraph 2-2 of the Act) * Article 2 Subparagraph 1 of the Special Act on Designation and Management of Free Economic Zones • Businesses in the Saemangeum project area (Subparagraph 2-8 of the Act) * Article 2, Special Act on the Promotion of the Saemangeum Project	• Manufacturing business: USD 10 million or more • Engineering, system integration and management, etc.: USD 10 million or more • Tourism and resort business: USD 10 million or more • International convention, youth training facilities: USD 10 million or more • Logistics business: USD 5 million or more • Medical institutions: USD 5 million or more • R&D: USD 1 million or more
• Free economic zone development project entity (Subparagraph 2-3 of the Act) * Article 8-3 (1) & (2), Special Act on Designation and Management of Free Economic Zones • Development project entities in Saemangeum project area (Subparagraph 2-9 of the Act) * Article 8 (1), Special Act on the Promotion of the Saemangeum Project	• Total development projects worth USD 500 million or more with: - Foreign investment of USD 30 million or more or; - Foreign investment ratio of 50% or more

Eligible Businesses	Investment Requirements, etc.
• Development project entities in Jeju investment promotion zone (Subparagraph 2-4 of the Act) * Article 162, Special Act on the Establishment of Jeju Special Self-Governing Province and the Development of Free International City	• Total development projects worth USD 100 million or more with: - Foreign investment of USD 10 million or more or; - Foreign investment ratio of 50% or more
• Companies in a foreign investment zone (complex type) as prescribed by Article 18 (1) 1 of the Foreign Investment Promotion Act (Subparagraph 2-5 of the Act)	• Manufacturing business: USD 10 million or more • Logistics business: USD 5 million or more
• Companies in an enterprise city development zone (Subparagraph 2-6 of the Act) * Article 2, Subparagraph 2 of the Special Act on the Development of Enterprise Cities	• Manufacturing business, etc.: USD 10 million or more • Logistics business: USD 5 million or more • R&D: USD 2 million or more
• Development project entities in enterprise city development projects (Subparagraph 2-7 of the Act) * Article 10 (1), Special Act on the Development of Enterprise Cities	• Total development projects worth USD 500 million or more with: - Foreign investment of USD 30 million or more or; - Foreign investment ratio of 50% or more
• Businesses for which a tax reduction or exemption is inevitably allowed (Subparagraph 3 of the Act) * Article 10 (1) 2 and 5, Act on Designation and Management of Free Trade Zones	• Manufacturing business: USD 10 million or more • Logistics business: USD 5 million or more

Tax reduction shall apply starting from whichever is the sooner between: the year in which income was first generated and; the taxable year to which the fifth year from the date of business commencement belongs.

※ Date of business commencement
- In manufacturing, the first date on which goods are manufactured at each manufacturing facility
- In mining, the first date on which minerals are collected/mined at each worksite
- In other businesses, the first date on which goods or services are supplied

In the case of capital increase, the date of registration of capital increase shall be considered the business commencement date. In regard to stocks, etc. acquired by a foreign investor due to the capitalization of reserves, revaluation reserves and reserves as prescribed by other Acts, tax reduction or exemption shall apply during the remainder of their reduction or exemption period and by the ratio of reduction for the relevant remaining period, in conformity with the examples of tax reduction or exemption for the stocks, etc. which form a ground for such occurrences. If an application for tax reduction is filed after increasing capital within five years of making paid-in capital reduction, the decision on tax reduction or exemption shall be made only for the foreign investment ratio against the portion of net increase from before the capital reduction. If a paid-in capital decrease is made after a capital increase, the portion of the increased capital shall be deemed to have decreased first. However, in cases where a purely domestic company receives an investment from a foreigner through a capital increase and becomes a foreign-invested company, the capital increase shall be considered a new foreign investment, and not a case of capital increase as described above.

< How to Compute the Amount of Reduced or Exempted Tax >

Category	Calculation Method
1) Tax reduction for new investments	Reduced tax amount $= \text{Calculated tax amount} \times \left(\frac{\text{Tax base for business subject to tax reduction/exemption}}{\text{The whole tax base}}\right) \times \text{Reduction rate}$ $\text{Tax reduction rate} = \left(\frac{\text{Foreign investor's capital}}{\text{Total capital}}\right) \times \text{Tax reduction rate of the business year(100\%,50\%)}$
2) Tax reduction for capital increase or merger	1. In general $\text{Reduced tax amount} = \left(\text{Calculated tax amount} \times \frac{\text{Tax base for business subject to tax reduction/exemption}}{\text{The whole tax base}}\right)$ $\times$ Tax reduction rate $\text{Tax reduction rate} = \left(\frac{\text{Foreign investor's capital prior to capital increase x tax reduction rate+foreign-invested capital at the time of capital increase x tax reduction rate}}{\text{Total capital}}\right)$ * Tax reduction rate: 100%, 50% or 0% according to the reduction period
	2. For businesses subject to tax reduction or exemption for increased capital $\text{Reduced tax amount} = \left(\text{Calculated tax amount} \times \frac{\text{Tax base for businesses subject to tax reduction for increased capital}}{\text{The whole tax base}}\right)$ $\times$ Tax reduction rate $\text{Tax reduction rate} = \frac{\text{Foreign-invested capital of business subject to tax reduction for increased capital}}{\text{Total capital of business subject to tax reduction for increased capital}}$ x Tax reduction rate of the business year (100%,50%)
	3. For foreign-invested companies operating businesses that are not subject to tax reduction but become eligible for tax reduction through capital increase or merger $\text{Reduced tax amount} = \left(\text{Calculated tax amount} \times \frac{\text{Tax base for business subject to tax reduction or exemption}}{\text{The whole tax base}}\right)$ $\times$ Tax reduction rate $\text{Tax reduction rate} = \frac{\text{(Foreign-invested capital eligible for tax reduction for increased capital x Tax reduction rate)}}{\text{Total foreign investment capital eligible for tax reduction}}$ x Foreign investment ratio * Tax reduction rate: 100%, 50% or 0% according to the reduction period * Foreign investment ratio: foreign investment capital / total capital

※ Upper limit of tax reduction

In the case that the total amount of the reduced or exempted income tax or corporate tax during the eligible period exceeds the sum of 1 and 2, the sum of 1 and 2 shall be the upper limit of tax reduction or exemption.

1. The following amount (based on investment amount):
   a. Businesses accompanying new growth driver industry technology, companies moving into an individual-type foreign investment zone: 50% of the cumulative foreign investment amount
   b. Other foreign-invested companies eligible for tax reduction or exemption: 40% of the cumulative foreign investment amount
2. The lesser of the following amount (based on employment):
   a. The sum of 1), 2) and 3)
      1) The number of full-time employees in the taxable year who are graduates of a meister high school X KRW 20 million
      2) The number of full-time employees excluding the employees described in (1) who are youth employees, disabled employees and employees aged 60 or older X KRW 15 million
      3) [The number of full-time employees in the taxable year – the number of employees described in (1) – the number of employees described in (2)] X KRW 10 million

b. 50% of the cumulative foreign investment amount (for businesses accompanying new growth driver industry technology), 40% of the cumulative foreign investment amount (for companies in an individual-type foreign investment zone), or 30% of the cumulative foreign investment amount (for companies in a complex-type foreign investment zone, etc.)

* Cumulative foreign investment amount: The amount of capital paid into the foreign-invested company concerned as foreign investment as stipulated under the Foreign Investment Promotion Act up to the end of the taxable year during the tax reduction/exemption period

※ Businesses accompanying new growth driver technology

- Definition: Businesses accompanying new growth driver industry technology* necessary for upgrading the domestic industrial structure and enhancing domestic industries' global competitiveness, which satisfy both of the following conditions:
  - A manufacturing facility** is installed or operated*** for business operation.
  - The foreign investment amount is USD 2 million or more.

* New growth driver industry technology: Technologies for new growth driver industries and source technologies (designated under Attached Table 7 of the Enforcement Decree of the Restriction of Special Taxation Act), technologies on materials and production processes directly related to new growth driver industry technologies and source technologies (designated under Attached Table 14 of the Enforcement Rules of the Restriction of Special Taxation Act)

** In the case of businesses other than those classified as manufacturing businesses under the Korea Standard Industrial Classification, 'manufacturing facility' shall be business establishments.

*** In addition to the establishment of a new factory or facility, operation of an existing facility is also permitted.

- Attached Table 7 of the Enforcement Decree of the Restriction of Special Taxation Act: 11 industries, 36 sub-categories (total of 157 technologies)
- Attached Table 14 of the Enforcement Rules of the Restriction of Special Taxation Act: Seven material related technologies and four process related technologies (total of 11 technologies)

※ Businesses accompanying new growth driver industry technology (11 categories)

① Future vehicles: Autonomous vehicles, electric vehicles
② Intelligent information: IoT, cloud, big data, wearable smart appliances, IT convergence
③ Next-generation software & security: Software technology, convergence security
④ Content: Realistic content, cultural content
⑤ Next-generation electronic information device: Intelligent semiconductors and sensors, materials for semiconductors, etc., OLED, 3D printing
⑥ Next-generation broadcasting and telecommunication: 5G mobile telecom, UHD
⑦ Bio & health: Biologic medicine, compound medicine, medical devices, healthcare products, biotechnology for agricultural, marine and food products
⑧ New energy business, environment: ESS, new & renewable energy, enhancement of energy efficiency, greenhouse gas reduction, carbon capture and sequestration, nuclear energy
⑨ Composite & integrated materials: High performance textiles, ultralight metal, hyperplastic, titanium
⑩ Robot: High-tech manufacturing robots, medical robots, service robots, robots in general
⑪ Aerospace: Unmanned vehicles, space technology

(2) Local Tax (Acquisition Tax, Property Tax) Reduction or Exemption

With regard to properties acquired or held by a foreign-invested company in order to engage in a business entitled to tax reduction or exemption, tax is reduced or exempted, or deducted from the tax base for the same reduction or exemption period for corporate tax.

As for acquisition tax and property tax on properties acquired on or after the date of business commencement, the amount calculated by multiplying the computed tax amount on the properties concerned by the foreign investment ratio (tax amount subject to reduction or exemption) shall be exempted for three to five years from the date of business commencement, and reduced by 50 percent for two years thereafter. However, where there exists any tax amount already paid prior to a decision to grant tax reduction or exemption, the relevant tax amount shall not be refunded, even if the properties subject to taxation have been acquired on or after the date of business commencement.

However, in the case of property acquired before the date of business commencement, 100 percent of the acquisition tax subject to reduction or exemption for the property acquired on or after the date on which the decision to grant tax reduction or exemption was made shall be reduced. In the case of property tax, 100 percent of the tax amount subject to reduction or exemption shall be exempted for three to five years from the date on which the property was acquired, and an amount equivalent to 50 percent of the amount subject to deduction shall be deducted from the tax base for two years thereafter.

Under ordinances, the local tax reduction or exemption period may be extended by up to 15 years, or the rate of reduction, exemption or deduction may be raised.

(3) Exemption from Customs Duties, etc.

Under the Restriction of Special Taxation Act, customs duties, etc. are exempted for the following capital goods that are used directly in a business subject to reduction or exemption of corporate tax or income tax, and are notified as foreign investment by acquisition of newly issued stocks, etc.

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

Exemption from customs duties, etc. shall only be applied to capital goods for which import declaration under the Customs Act has been completed within five years of the date on which foreign investment notification was filed. Where it is impossible to make the import declaration within the said period due to a delay in the approval of factory establishment or other causes, the period can be extended by one year through an approval of the Minister of Strategy and Finance.

Customs duties, special excise tax, and value-added tax shall be exempted for businesses accompanying new growth driver industry technology or businesses operated by foreign-invested companies in individual-type foreign investment zones under the Foreign Investment Promotion Act. Customs duties shall be exempted for businesses operated by foreign-invested companies in complex-type foreign investment zones, certain companies in free trade zones, foreign-invested companies in free economic zones, foreign-invested companies that execute free economic zone development projects, executors of the Jeju investment promotion district development project, etc.

※ **Where to apply: Customs of clearance**

▶ **Required documents**

- Application form for exemption from customs duties
- A copy of the confirmation certificate of the specifications of imported capital goods
- Documents certifying capital goods imported through investment in kind or cash
- Documents certifying that the business is subject to reduction of or exemption from corporate tax, etc.
- Invoice, bill of lading (B/L) or air waybill (AWB), price declaration, packing list, certificate of origin, etc.

※ **Special taxation for investment-in-kind: Confirmation of completion of investment-in-kind**

Where a foreign investor makes an investment-in-kind, an inspector shall write an inspection report on the performance of the investment-in-kind and submit it to the court as prescribed by the Commercial Act. As for investment-in-kind with capital goods, notwithstanding the provisions of the Commercial Act, the certificate of in-kind-investment completion confirmation which confirms the execution of the investment-in-kind and the type, quantity, price, etc. of the object of investment issued by the Commissioner of the Korea Customs Service shall be considered the inspector's report under the Commercial Registration Act (Article 80).

Therefore, where a foreign investor intends to register capital at a jurisdictional court after he/she has imported capital goods acquired through investment-in-kind, he/she should receive a confirmation of investment-in-kind by an official representing the Korea Customs Service at KOTRA.

▶ **Required documents**

- Two copies of the application form for confirmation of completion of investment-in-kind
- Import declaration certificate

※ Customs Clearance Procedure for Capital Goods

Procedure	Related Agencies & Required Documents
Notification of foreign investment	• KOTRA, foreign exchange bank • Two copies of the certificate of investment notification
⬇	
Confirmation of the specifications of imported capital goods	• The foreign exchange bank where foreign investment notification was filed, KOTRA • Capital goods subject to exemption from customs duties should be confirmed • Three copies of the application form, documents certifying monetary values (offer sheet, contract, etc.)
Customs clearance	• Certificate of business registration under the name of the foreign-invested company • Application form for exemption (customs office), investment notification form • Certificate of the decision on tax reduction or exemption, invoice, certificate of the country of origin (if required), bill of lading (B/L), packing list • Certificate of confirmation of specification of imported capital goods
⬇	
Confirmation of completion of in-kind-investment	• Application and confirmation: The officer of Korea Customs Service dispatched to KOTRA • Application form for confirmation of completion of in-kind investment • Import declaration certificate
⬇	
Registration of incorporation	• Registry office • Application form for registration, certificate of confirmation of completion of investment-in-kind
⬇	
Registration of foreign-invested company	• The institution to which the initial investment notification was filed • Certified copy of corporation registration, certificate of confirmation of completion of investment-in-kind

1-2 Application for Tax Reduction or Exemption and Additional Collection of Tax

(1) Application for Tax Reduction or Exemption

① Confirmation of Whether a Business is Subject to Tax Reduction or Exemption

A foreign investor or a foreign-invested company may request the Minister of Strategy and Finance to confirm whether an intended business is subject to tax reduction or exemption, before he/she/it notifies foreign investment under the Foreign Investment Promotion Act. The Minister shall decide on the matter and notify the applicant within 20 days of the date on which the application was filed.

A foreign investor or a foreign-invested company should apply for tax reduction or exemption after notifying foreign investment, since the confirmation mentioned above is intended to simply verify whether the business concerned possesses high technology, and the effect of the decision is invalid.

② Application for Tax Reduction or Exemption

To receive tax reduction or exemption, a foreign-invested company should file an application to the Minister of Strategy and Finance (the administrator of a free trade zone in the case of foreign investment in a free trade zone).

In the case of newly incorporated companies, an application for tax reduction or exemption should be filed by no later than the last day of the taxable year to which the foreign-invested company's business commencement date belongs. Meanwhile, the deadline for application for tax reduction or exemption for capital increase shall be determined based on the provisions on tax reduction or exemption for new investment of the Restriction of Special Taxation Act (Articles 121-2, 121-3). In cases where any foreign-invested company increases its capital within the scope of the notified investment amount that has been confirmed upon the decision on the tax reduction or exemption prior to the date on which three years elapse from the date on which the first notice concerning the decision on the tax reduction or exemption is served after notification of the foreign investment, even if no application for tax reduction or exemption has been filed, the foreign-invested company shall be deemed eligible for tax reduction or exemption for the portion of the increased capital.

Where any foreign investor or foreign-invested company alters the business contents subject to a decision on tax reduction or exemption and intends to have any reduction or exemption applied to the modified business, he/she/it shall make an application for modification of the contents of tax reduction or exemption no later than the date on which two years elapse from the date on which the causes of the relevant modification occur. (The content of the relevant decision on modification shall apply only to the remainder of the reduction or exemption period.)

Where a foreign investor or foreign-invested company is granted tax reduction or exemption by applying for reduction or exemption after the expiry of the deadline for application, the tax reduction or exemption shall apply only to the taxable year in which the date of such application falls, and to the remainder of the reduction or exemption period thereafter. In such cases, where there exists any tax amount already paid prior to a decision to grant reduction or exemption, the relevant tax amount shall not be refunded.

※ Required documents (Attached Table 2, Public Notice no. 2017-10 of the Ministry of Strategy and Finance)
Documents required when applying for tax reduction or exemption (or applying for tax reduction or exemption for altered business, or verification of whether a business is eligible for tax reduction or exemption)

- Description of the relevant technologies (Korean translation required when written in English or other foreign languages)
  - Catalog or other reference materials for the products or services produced or provided using the technologies
- Documents describing the scope of utilization of the products or services produced or provided using the technologies
- Production methods and process chart (for manufacturing technologies)
  - The process chart shall include every step of the process, and the steps requiring new growth driver industry technologies shall be marked.
  - For each process, whether production is carried out in Korea or not shall be indicated.
- Documents certifying the anticipated economic effects or technological performance
  - Comparison of the performance, quality, or cost reduction effects between 'products and services produced or provided with the technology' and 'products and services in the same or similar category'
- The following documents certifying that the technology concerned is a new growth driver industry technology:
  - Certificates, test results, evaluations reports, etc. from foreign governments and other authorized institutions on the products, etc. produced or provided with the technology
  - Documents on industrial property rights such as patents regarding the technology
  - Documents on the development of the technology (R&D institution, developers, development costs and period, etc.)
  - Investments in or contributions to a third-party country to utilize a technology similar to the technology concerned
  - Other documents certifying the qualification of the technology concerned
- Copy of the certificate of completion of foreign investment notification (for applications for tax reduction or exemption as prescribed by Article 121-2 (6) of the Restriction of Special Taxation Act or applications for tax reduction or exemption for altered business)
- Copy of the official document stating the decision concerning tax reduction or exemption (for applications for tax reduction or exemption for altered business as prescribed by Article 121-2 (6) of the Restriction of Special Taxation Act)
- The following documents verifying that the business concerned has direct relations to a new growth driver industry (Article 116-2 (25) of the Enforcement Decree of the Restriction of Special Taxation Act):
  - Documents stating the production method and process chart, etc. of the business entitled to tax reduction or exemption and its related businesses. A related business means a business directly related to a business entitled to tax reduction or exemption, and refers to a business concerning the part of the production process where new growth driver industry technologies are not used and tax reduction or exemption does not apply.

③ Decision and Notification of Tax Reduction or Exemption

The Minister of Strategy and Finance shall, upon receipt of an application for tax reduction or exemption or an application for revision of the particulars of tax reduction or exemption, 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, and notify the applicant thereof. The Minister may, in cases where it is deemed inevitable that a long period of time will be required to make a decision on whether to grant the reduction or exemption or whether to make any revision to the particulars of reduction or exemption, extend the said review period by up to 20 days. In such cases, the applicant shall be notified of the relevant causes and the review period.

The Minister of Strategy and Finance shall, upon making a decision on whether to grant the reduction or exemption or whether to make any revision to the particulars of reduction or exemption, notify the Commissioner of the National Tax Service, the Commissioner of the Korea Customs Service, and the head of the relevant local government of the fact thereof.

The Minister of Strategy 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 for businesses accompanying new growth driver industry technology, give preliminary notice of such determination within 20 days of the application date. A person who receives a preliminary notice of determination may file a request to the Minister of Strategy and Finance, 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 Ministry of Strategy and Finance 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 shall notify the applicant of the result thereof.

< Procedure for Foreign-Invested Companies' Application for Tax Reduction or Exemption >

Step 1	Application for confirmation of whether a business is eligible for tax reduction or exemption	Relevant law: Article 121-2 (7) of the Restriction of Special Taxation Act
		Application can be filed if the technology concerned qualifies as a new growth driver industry technology.
	⬇	
Step 2	Notification of foreign investment by acquisition of new shares, etc.	Relevant law: Article 5 of the Foreign Investment Promotion Act
		• Competent authority: Investment Policy Team of the Ministry of Trade, Industry & Energy • Delegated authority: KOTRA's Investment Consulting Center (82-2-3497-1967), a foreign exchange bank (headquarter or branch)
	⬇	
Step 3	Application for tax reduction or exemption	Relevant law: Article 121-2 (6) of the Restriction of Special Taxation Act
		International Economic Affairs Division of the Ministry of Strategy and Finance
		Deadline for application: 1. New investment: The closing date of the taxable year to which the date of commencement of the business eligible for tax reduction or exemption belongs 2. Capital increase: Same as new investment 3. Modification: Within two years of the date on which the cause for modification occurs
		Required documents: • Three copies of the notification form for foreign investment by acquisition of new shares, etc. • Three copies of the application form for tax reduction or exemption (Form # 80) • Three copies of documents certifying that the technology concerned qualifies as a new growth driver industry technology
	⬇	
Step 4	Decision on whether to grant tax reduction or exemption	Relevant law: Article 121-2 (8) of the Restriction of Special Taxation Act
		Delegated institution: The Minister of Strategy and Finance & the competent Minister
		Decision method: The Minister of Strategy and Finance consults with the competent Minister to make a decision. The decision to reduce or exempt an entity from a tax is made pursuant to their agreement on the matter.
		Processing period: Within 20 days of the application date (In cases where technology related materials are insufficient or consultations among the competent Ministries are delayed, a request for additional materials shall be made and an extension of the processing period shall be notified.)
	⬇	

Step 5	Notification of decision on whether to grant tax reduction or exemption	Relevant law: Article 121-2 (8) of the Restriction of Special Taxation Act
		Delegated authority: The Minister of Strategy and Finance

※ Foreign-invested companies that are granted tax reduction or exemption as a business accompanying new growth driver industry technology should submit a specification of investment, etc. to the head of the competent tax office when filing a tax return for the taxable year in which the tax reduction or exemption was applied.

(2) Additional Collection of Reduced or Exempted Tax

Tax reduction or exemption stipulated by the Restriction of Special Taxation Act is granted only when the requirements for tax reduction or exemption have been met for a certain period of time. In cases where such requirements have not been met, the reduced or exempted tax amounts shall be additionally collected as follows.

< Additional Collection of Reduced or Exempted Tax >

Cause for additional collection	Taxes	Amount subject to additional collection
Cancellation of registration or business closure	Corporate tax, customs duty, special consumption tax, value-added tax, acquisition tax, property tax	Tax reduced or exempted for five years retroactively from the date of cancellation of registration or business closure (three years for customs duty)
Failure to meet the requirements for tax reduction/exemption	Corporate tax	Tax reduced or exempted for five years retroactively from the date on which the requirements are no longer satisfied
Where the requirements on payment for objects of investment, introduction of loans, or number of employees are no longer satisfied within five years of the date on which foreign investment was notified (three years in the case of employment related requirements)	Corporate tax, customs duty, special consumption tax, value-added tax, acquisition tax, property tax	Taxes reduced or exempted for five years retroactively from the date on which the requirements are no longer satisfied (three years in the case of employment related requirements)
Failure to comply with the correction order for not executing foreign investment as notified	Corporate tax	Tax reduced or exempted for five years retroactively from the date of expiration of the correction order period
Transfer of shares to a Korean national, etc.	Corporate tax	Amount calculated as follows: (Reduced or exempted tax amount for five years retroactively from the date of transfer of stocks, etc.) X (portion of transferred stocks among foreign-held stocks at the time of tax reduction or exemption)
	Customs duty, special 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 three years retroactively from the date of transfer
	Acquisition tax, property tax	Tax abated for five years retroactively from the date of transfer multiplied by the share transfer ratio
Where the object of investment is disposed of or used for purposes other than those notified	Customs duty, special consumption tax, value added tax	Tax reduced or exempted for capital goods used for purposes other than those notified or are disposed of for five years (three years in the case of customs duty) from the date of import declaration acceptance

Cause for additional collection	Taxes	Amount subject to additional collection
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 five 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

The additional collection of taxes can be exempted in the following cases:

- Where the registration of a foreign-invested company is revoked in cases where the foreign-invested company is dissolved due to a merger.
- Where imported capital goods exempted from customs duties cannot be used for the reported purposes due to natural disasters or other reasons corresponding thereto, depreciation, advancement of technologies, or other changes in economic conditions, and the capital goods concerned are used for purposes other than the reported ones or disposed of after obtaining the approval of the Minister of Strategy and Finance
- Where stocks, etc. are transferred to Korean nationals or corporations in order to publicly offer the equity stocks of the foreign-invested company pursuant to the Financial Investment Services and Capital Markets Act
- Where payment for the objects of investment has been completed within the deadline extended by a mayor or provincial governor in accordance with the Foreign Investment Promotion Act and the relevant tax reduction or exemption requirements have been satisfied
- Where a foreign investor who invested in a business accompanying new growth driver industry technology transfers his/her stocks, etc. to a Korean national or Korean corporation, and the Minister of Strategy and Finance confirms that there is no difficulty for the relevant enterprise to provide independently in Korea such products or services produced or provided by the relevant business accompanying new growth driver industry technology.
- Where a foreign investor transfers his/her stocks, etc. to a Korean national or Korean corporation pursuant to other Acts and subordinate statutes or government policies and such transfer is confirmed by the Minister of Strategy and Finance

1-3 Other Tax Support

(1) Tax Support for Foreign Engineers (Restriction of Special Taxation Act, Article 18)

A non-Korean foreign engineer prescribed by law such as an individual providing technology to Korea under an engineering technology introduction contract or an individual working as a researcher in a foreign-invested company's R&D facility shall be entitled to a 50 percent reduction of income tax on wage and salary income derived from the offer of his/her services to a Korean national in Korea until the month in which falls the date on which two years have elapsed since the first day on which the foreign engineer concerned offered his/her service in Korea. However, such reduction shall apply temporarily only to persons who began to provide his/her service in Korea on or before December 31, 2018.

(2) Special Taxation for Foreign Employees (Restriction of Special Taxation Act, Article 18-2)

Foreign executives or employees (referring to persons who are not daily workers) may choose between the following two taxation methods (The taxation methods apply for five years from the first day of providing service in Korea, and the flax tax rate of 19 percent may not be applied to employees who have a special relationship with their employer.):

- A flat tax rate, set at 19 percent of the wage and salary income that a foreign worker earns for providing service in Korea, shall be applied (limited to foreigners who started to provide service in Korea for the first time on or before Dec. 31, 2018. Tax reduction or exemption, tax credit, and other regulations on income tax shall not apply. Also, since the flat income tax rate is a sunset clause, it is unclear whether it is applicable beyond Dec. 31, 2018.). However, in the case of wage and salary income that a foreign employee receives by providing service to a regional headquarters of a corporation, special taxation shall apply to tax on wage and salary income received for five taxable years starting from the first day of providing service in Korea for the first time (i.e., special taxation shall apply even if the first day of providing service in Korea is after Dec. 31, 2018.).
- The global income tax rate shall be applied. (If the foreigner concerned is a non-resident, basic deduction shall apply but personal deduction and special deduction shall not apply.)

※ Advance Ruling System

The advance ruling system provides a clear ruling with regard to a specific transaction of a taxpayer's business, provided that a ruling is requested by the legal due date for tax return filing with the disclosure of the taxpayer's identity and the specific facts and circumstances of the transaction in question.

* Specific transaction: A transaction which can be objectively verified with relevant documents certifying that it has actually occurred or will occur in the near future

Benefits of the system

- The advance ruling system resolves uncertainties concerning the interpretation of tax laws, and ensures the predictability of business activities.
- The system binds the National Tax Service from imposing measures that run counter to the ruling results.

Application requirements

- Only business operators (including those who may assume a tax responsibility from future business transactions) are eligible to apply for an advance ruling on a specific transaction. Applications in relation to any of the following, however, are excluded from consideration for an advance ruling:
  - Matters which involve application of the tax law that is not relevant to the taxpayer
  - Matters which require the judgement of facts
  - Matters regarding assumed facts
  - Ruling requests which involve transactions that have violated laws or have concerns for violation
  - Ruling requests which have been submitted after the application deadline
  - Ruling requests which appear to have been submitted for means of tax evasion or tax avoidance

How to request a ruling

- Download the application form at the National Tax Service website (http://www.nts.go.kr Korean only). Complete and submit the form to the NTS Commissioner (Manager of Legal Affairs Division) via postal mail.
- Applications should be filed by the business proprietor. However, a delegated agent (tax accountant, certified public accountant, or lawyer), if consigned by the business proprietor, may submit the application on his/her behalf.

2. Cash Grant

For foreign investments that satisfy certain conditions, the central and local governments of Korea may provide cash grants for certain purposes such as establishment of a factory facility. In the process, the Korean government takes into account whether the relevant foreign investment involves new growth driver industry technology, the effect of technology transfer, the scale of job creation, whether the foreign investment overlaps with domestic investment, the propriety of the location in which the foreign investment is to be made, etc.

- Overview of the Cash Grant System
- Cash Grant Application Procedure
- Follow-up Management of Cash Grant

2-1 Overview of the Cash Grant System

(1) Qualifications

Foreign investments with foreign investment ratio of 30 percent or higher falling under one of the following are eligible for a cash grant:

- Where a new factory facility is installed or an existing factory facility is expanded (or a business establishment in the case of a non-manufacturing business) for the management of a business accompanying new growth driver industry technology
- Where a new factory facility is installed or an existing factory facility is expanded for the production of parts and materials stipulated under the Act on Special Measures for the Promotion of Specialized Enterprises, etc. for Materials and Components which satisfy one of the following conditions:

  - Parts and materials that contribute significantly to the high added value of the final product
  - Parts and materials that require advanced technology or core high technology and have a high technology spillover effect or create significant added value
  - Parts and materials that act as the basis of an industry or have high inter-industry linkage effects

<Parts and Materials Industries Eligible for Cash Grant>

KSIC	Business Category
13	Manufacture of textile, except apparel
17	Manufacture of pulp, paper and paper products
20	Manufacture of chemicals and chemical products except pharmaceuticals and medicinal chemicals
21	Manufacture of pharmaceuticals, medicinal chemicals and botanical products
22	Manufacture of rubber and plastic products
23	Manufacture of other non-metallic mineral products
24	Manufacture of basic metal products
25	Manufacture of fabricated metal products, except machinery and furniture
26	Manufacture of electronic components, computer, radio, television and communication equipment and apparatuses
27	Manufacture of medical, precision and optical instruments, watches and clocks
28	Manufacture of electrical equipment
29	Manufacture of other machinery and equipment
30	Manufacture of motor vehicles, trailers and semitrailers
31	Manufacture of other transport equipment
32	Manufacture of furniture

- Where a foreign-invested company that creates new jobs in excess of the number stated in the table below installs a new factory facility (a business establishment in the case of non-manufacturing businesses) or expands an existing one

<Eligibility for Cash Grants - Number of Newly Employed Full-Time Employees>

KSIC	Business Category	Number of Full-Time Employees
C	Manufacturing	300
B	Mining	
F	Construction	
H	Transportation	
J	Publishing, film, broadcast/communications and information services	
N	Business facility management and industry-supporting services	
Q	Health and social welfare services	
A	Agriculture, forestry and fishery	200
D	Electricity, gas, steam and water supply	
G	Wholesale and retail	
I	Hotel and restaurant	
K	Finance and insurance	
M	Professional, science and technology services	
R	Arts, sports/leisure-related services	
E	Sewage/waste treatment, raw material recycling and environment restoration	100
P	Educational service	
S	Association/organizations, repair and individual services	
L	Real estate and lease	50

- Where a research facility is newly installed or expanded for R&D activities for a business accompanying new growth driver industry technology, or where a non-profit organization receiving a contribution that is considered foreign direct investment newly establishes or expands a research facility. The research facility should have five or more full-time researchers with a master's degree in a relevant field or a bachelor's degree in a relevant field supplemented with at least three years of research experience.

- Where an investment that makes significant contributions to the domestic economy relative to the amount of investment meets one of the following conditions and is recognized by the Foreign Investment Committee as an investment that needs support in regard to the qualifications required for foreign investors, etc.
  - Where a foreign company that owns businesses in three or more countries establishes a regional headquarters having control over two or more countries in the Republic of Korea (The regional headquarters should hire 10 or more employees, invest KRW 100 million or more, and obtain the recognition of the Foreign Investment Committee. Also, the parent company's stake should be at least 50 percent and the parent company's average annual sales for the past five years should be KRW 3 trillion or more.)
  - Where a foreign company is engaged in a regional strategic industry as stipulated in Article 2 Subparagraph 4 of The Special Act on Balanced National Development or a regional leading industry stipulated in Article 2 Subparagraph 5 of the said Act, and where it is recognized that the relevant industry will contribute to the development of the local economy.

(2) Cash Grant Ceiling

The cash grant ceiling shall be decided by a committee for determining the cash grant ceiling comprised of five persons of more from the central government, local government, KOTRA and the private sector. The cash grant amount shall be decided through a negotiation with the foreign investor within the cash grant ceiling.

Where a foreign-invested company received rent reduction by leasing public or state-owned land or moving into a foreign investment zone, the total amount of reduced rent during the period in which the business eligible for cash grant was operated shall be included in the cash grant ceiling.

※ Funding and cash grant provided under the "Criteria for the Central Government's Funding for Local Governments' Foreign Investment Attraction Activities" shall not be provided more than once for the same item. The total amount of funding shall not exceed the cash grant ceiling.

(3) Allotment Ratio of Financial Fund

The allotment ratio of financial fund for cash grant between the central and local governments is as follows:

- Land purchase and lease expenses: 30:70 for the Seoul metropolitan area and 60:40 for all regions outside the Seoul metropolitan area
- Employment/education/training subsidy: 50:50 (The employment subsidy for interns in the engineering sector is entirely provided by the central government.)
- Building construction expenses, expenses for purchasing capital goods and research equipment, expenses for the installation of infrastructure facilities, R&D expenses: 30:70 for the Seoul metropolitan area and 60:40 for other areas. (However, the ratio may be altered by a resolution of the Foreign Investment Committee.)
- R&D facility purchase and lease expenses: 30:70 for the Seoul metropolitan area and 60:40 for all regions outside the Seoul metropolitan area

※ The above ratio can be changed by a resolution of the Foreign Investment Committee.

(4) Legal Usage

A foreign-invested company should use a cash grant only for the following purposes:

- To purchase or lease land or a building for the installation of a factory or research facility
- To construct a factory or research facility
- To purchase capital goods and research equipment to be used at a factory or research facility for business or research purposes
- To install infrastructure facilities, including power/communication facilities, required for building a factory or research facility
- Employment subsidies or education and training subsidies

2-2 Cash Grant Application Procedure

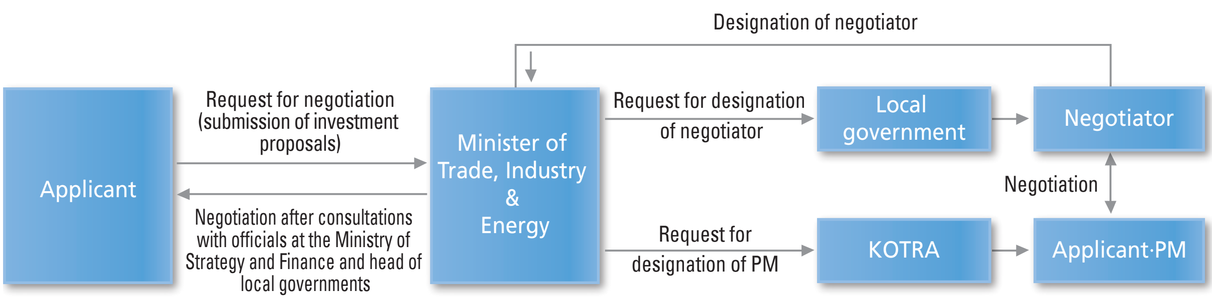
(1) Application, Negotiation and Evaluation

A foreigner seeking cash grant should submit an application form and an investment plan to the Minister of Trade, Industry & Energy. An evaluation team comprised of public officials and private sector experts shall perform an industrial and financial evaluation of the documents and submit an evaluation report to the Minister.

The applicant can negotiate after submitting a cash grant application form. However, a request for negotiation or consultation can be submitted to the Minister of Trade, Industry & Energy before submitting the application form. On receiving an application form or request for negotiation or consultation, the Minister shall designate a public official in charge of the negotiation or consultation (negotiation officer) and notify the applicant. Also, the Minister shall request the designation of a negotiation officer to the relevant local government, and demand the designation of a Project Manager to the President of KOTRA to support the applicant.

※ Evaluation criteria for cash grant application
- Whether a foreign investment accompanies new growth driver industry technology & the effects of technology transfer
- Number of jobs created
- Whether the foreign investment overlaps with any domestic investment
- The adequacy of the location in which the foreign investment is made
- Effects on the regional and national economy
- Survivability of the project

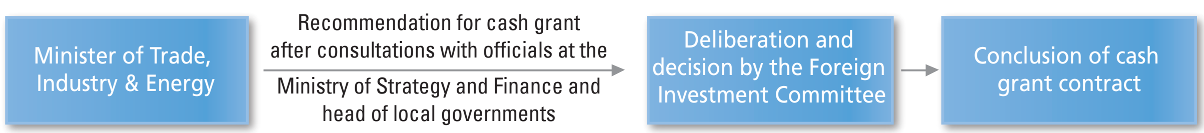
< Application for Negotiation and Cash Grant & Evaluation >



(2) Approval of Cash Grant & Conclusion of Contract

The Minister of Trade, Industry & Energy shall review the cash grant proposal including comments on the need for cash grant, the amount of cash grant, and method of cash grant payment with the Minister of Strategy and Finance and the head of the relevant local government bodies. Matters concerning cash grant shall be decided through the Foreign Investment Committee's deliberation and resolution, and the cash grant funds will be transferred after a cash grant contract is signed. However, if the amount of the cash grant excluding grants for site support is less than KRW 1 billion, the cash grant contract shall be signed with the Foreign Investment Working Committee after due deliberation and resolution. The decision on whether to approve a cash grant shall be made within 60 days of receiving the application for a cash grant. However, the deadline for the decision may be extended by up to 30 days.

<Approval of Cash Grant & Conclusion of Contract >



(3) Documents to be Submitted

- Cash grant application form (designated form)
- Investment plan and summary of plan – five copies each
- Financial statement of the applicant - five copies (including the financial statement of the foreign-invested company in the case of subsequent investment)
- Copy of certificate of payment by source of invested funds – five copies
- Copy of foreign investment notification certificate – one copy (where the investment has been notified)
- Comments by the PM – one copy

※ Matters to be stated in the investment plan:

- 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.)
- Total investment amount and foreign investment amount
- Information on investment site (area, size, method of acquisition, cost, etc.)
- Annual investment plan for the following five years (to be classified by fixed assets such as land, building, facilities)
- 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.)
- 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.)
- Supply and demand in domestic and foreign markets and future outlook (including rival businesses and their outlook)
- Business outlook of the company for the following 10 years (including investment profitability and supporting data such as return on investment, net current value, etc.)
- Pro forma financial statement for the following five years (projections on factors comprising cost of sales and backup data should also be submitted)
- Annual employment plan for the following five years (Data on number of employment of science and engineering majors classified by academic career. Number of employees classified by wage level, average wage comparison with similar business sectors, etc. should be included, and the new employments should be classified into regular/ non-regular workers and domestic employees/ foreign employees.)
- 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)
- Reason for choosing Korea as an investment destination (including statement on Korea's strengths and weaknesses compared with other investment destinations)
- 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.)
- Other necessary matters

(4) Payment of Cash Grant

A cash grant may be paid in lump sum within one year of the date on which approval was obtained, or in up to 10 installments over a period of up to five years. The cash grant applicant should set up a separate account for the cash grant received, and account for revenue and expenses.

<Cash Grant Payment Method >

Cash Grant	Payment Method
Land purchase cost	Payment by installments, i.e., as interim payments or balance after concluding a land sales contract
Rent	Payment based on the rental contract between the applicant and the owner of leased land
• Factory/research facility construction costs • Purchase cost of capital goods & research equipment to be used for business or research purposes at the factory or research facilities • Cost of installing basic facilities required to construct a new factory or research facilities such as electricity and communications facilities	To be paid after evaluating the implementation of the investment expenditure plan
Education and training subsidy, employment subsidy	To be paid based on an evaluation of whether the employment plan was carried out faithfully within the investment period

※ Other matters regarding the payment and return of cash grant shall be determined as prescribed by the Subsidy Management Act and Local Finance Act.

(5) Pre-Evaluation Policy for Cash Grant

The pre-evaluation policy is aimed at actively inducing foreign investments that are expected to have a major impact on the national economy. Under the policy, KOTRA (Invest KOREA) pre-evaluates projects and presents recommendations to the Minister of Trade, Industry & Energy and the Foreign Investment Committee to determine whether to approve cash grant. The policy is implemented under a dual system with the existing system of evaluating the projects after an application has been made. The decision on whether the cash grant is to be provided is made before the application is filed.

After experts' review of candidate projects for investment attraction through cash grant, KOTRA (Invest KOREA) draws up negotiation plans and submits the recommendations of the Foreign Investment Committee to the Minister of Trade, Industry & Energy. In this process, the Foreign Investment Committee deliberates to determine whether or not to provide cash grant, as well as the cash grant ceiling. Negotiations with investors take place within one year after deliberation. Contract procedures and post management etc. after reaching an agreement in the negotiation are identical to existing methods. If negotiation and application are not completed within the given time, the Minister of Trade, Industry and Energy may extend the period up to one year by taking into consideration the introduction and development status of related technologies in Korea.

※ Pre-evaluation procedure

Receipt of investment plan	KOTRA
Organization of project evaluation team and evaluation meeting	KOTRA(Evaluation team-MOTIE-local govn't)
Submission of negotiation plan and evaluation results to the Ministry of Trade, Industry & Energy (MOTIE)	KOTRA
Submission of recommendation to the Foreign Investment Committee – To decide whether to provide cash grant and the cash grant ceiling	MOTIE
Negotiation on details – Detailed cash grant matters	MOTIE/local govn't - KOTRA – investing company
Receipt of cash grant application (official evaluation)	MOTIE-investing company
Negotiation: MOTIE – Applicant company – Local government	MOTIE/local govn't /investing company
Cash grant contract signing	Investing company-MOTIE-local govn't

2-3 Follow-up Management of Cash Grant

(1) Obligations of Applicants

An applicant shall, either directly or indirectly, manage the foreign-invested company concerned and faithfully carry out the obligations stated in the cash grant contract, as well as the investment expenditure plan.

The applicant shall take out an insurance policy against loss, or take equivalent measures to ensure that all assets (including those under construction) such as buildings, facilities, equipment, etc. are restored or replaced to a satisfactory level. Contracts to acquire assets that receive cash grants shall be designed to efficiently use cash grants through public tenders, official appraisals, requests for two or more estimates, etc.

The written consent of the Minister of Trade, Industry & Energy shall be secured in advance to use the assets purchased with a cash grant for purposes other than the stated business; to transfer, exchange, or lend the assets; or to provide the assets as collateral. Also, a cash grant shall not be dealt out as dividends or royalties. Also, the concerned foreign-invested company shall not guarantee liabilities other than for business purposes.

During the contract period, the applicant shall provide sufficient information for the evaluation of the contract's implementation, and submit a statement of accounts audited externally to the Minister of Trade, Industry & Energy every year.

(2) Management of Cash Grant

Every year during the cash grant contract period, the Minister of Trade, Industry & Energy and the head of the relevant local government should check whether the cash grant applicant's investment execution plan has been carried out. After spending the cash grant provided, the applicant should submit a report within two months to the Minister of Trade, Industry & Energy and the head of the relevant local government. The applicant should also return the unspent cash grant amount and interest income generated after the cash grant provision is expired.

Land purchased with cash grant provided by the central and local governments should not be disposed of within five years of concluding the sales contract. If the land is disposed of within 10 years of concluding the contract, the proceeds from the sale shall be redeemed in proportion to the ratio of the support provided by the central and local governments to the total land purchase cost.

To be eligible for cash grants for education, training, and employment subsidies, the worker concerned shall be employed for three years or longer. Should the concerned worker be dismissed within three years, the subsidy shall be recovered pro rata up to the period in which the dismissal occurred (excluding interns in the science & engineering fields).

With regard to grant funds for construction, purchase of facilities and equipment, and infrastructure facility installation, if the actual foreign investment amount (in USD currency) is less than the foreign investment amount stated in the cash grant contract, the grant amount shall be reduced pro rata to the difference.

The cash grant applicant should keep a book stating cash grant expenditure details and documents certifying such expenditure until the contract expires, and should submit the book and documents on the request of the minister of the relevant ministry without delay.

3. Industrial Site Support

Under the industrial site support system to facilitate and induce foreign investment, 'foreign investment zones' designated by the Foreign Investment Promotion Act, 'free trade zones' under the Act on Designation and Management of Free Trade Zones, and 'free economic zones' as prescribed by the Special Act on Designation and Management of Free Economic Zones are operated. Foreign investment zones are classified into complex-type, individual-type and service-type.

The locations designated for foreign direct investment may vary in terms of eligibility for occupation, targeted industries, and investment incentives (e.g., 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 procedures for factory establishment are simpler compared to others.

<Industrial Sites for Foreign Investors>

(As of Dec. 2016)

<table>
<tr><th colspan="2">Industrial Site System</th><th>Designated Region</th><th>No. of Locations</th></tr>
<tr><td rowspan="3">Foreign investment zone</td><td>Complex-type</td><td>Cheonan Industrial Complex, Daebul Industrial Complex, Sacheon industrial complex, Ochang Industrial Complex, Gumi Industrial Complex (parts), Jangan High-tech Industrial Complex (no. 1 & 2), Inju Industrial Complex, Dang-dong Industrial Complex, Jisa Industrial Complex, Dalseong Industrial Complex, Oseong Industrial Complex, Cheonan Industrial Complex No.5, Woljeon Industrial Complex, Munmak Industrial Complex, Jincheon-Sansu Industrial Complex, Songsan Industrial Complex (no.2), Iksan Industrial Complex (national food industrial complex), Chungju Industrial Complex, Gumi Industrial Complex (parts), Pohang Industrial Complex (parts), Iksan Industrial Complex (parts), Changwon Industrial Complex (parts), Mieum Parts Industrial Complex (parts), Songsan 2-1</td><td>25</td></tr>
<tr><td>Individual-type</td><td>Manufacturing industry (70 companies), logistics industry (2 companies), tourism industry (8 companies)</td><td>80</td></tr>
<tr><td>Service-type</td><td>Daejeon</td><td>1</td></tr>
<tr><td colspan="2">* Zones exclusively leased to foreign-invested companies in Gyeonggi Province</td><td>Hyeongok Industrial Complex, Poseung Industrial Complex, Chupal Industrial Complex, Eohyeon-Hansan Industrial Complex</td><td>4</td></tr>
<tr><td rowspan="2">Free trade zone</td><td>Industrial complex-type</td><td>Ulsan Free Trade Zone, East Sea Free Trade Zone, Gunsan Free Trade Zone, Gimje Free Trade Zone, Yulchon Free Trade Zone, Masan Free Trade Zone</td><td>7</td></tr>
<tr><td>Port and airport-type</td><td>Port of Busan, Port of Pohang, Dangjin-Pyeongtaek Port, Port of Gwangyang, Port of Incheon, Incheon International Airport</td><td>6</td></tr>
<tr><td>Free economic zone</td><td></td><td>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</td><td>8</td></tr>
</table>

- 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

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

Complex-type foreign investment zones refers to areas designated to provide factory sites for lease to foreign investors at a low cost, since foreign investors need to lease rather than to purchase land, etc. to operate business for a certain period. To be eligible to move into a complex-type foreign investment zone, a company should be registered as a foreign-invested company with foreign investment ratio of 30 percent or higher, and operate a business defined under the basic management plan (mostly manufacturing businesses). The minimum requirements for occupancy (minimum foreign investment amount, plant area) are as follows: foreign direct investment at least equal to the price of the leased plant site should be executed within five years of the date of the occupancy contract; and plant establishment should be completed within five years of the date of the contract. The ratio of the building area to the site area should in general be at least 12 percent.

On the other hand, an individual-type foreign investment zone is a tailored location for large-scale investors and foreign investors can choose and designate the location of the investment zone. The ceiling for the size of an individual-type foreign investment zone shall be the size of land equal to the value of 50 percent of the foreign investment amount invested by the tenant company. The tax reduction period for individual-type foreign investment zones is seven years (tax reduction rate: equal to the foreign investment ratio for the first five years, and 50 percent of the foreign investment ratio for the following two years), which is longer than the reduction period of five years for complex-type foreign investment zones (tax reduction rate: equal to the foreign investment ratio for the first three years, and 50 percent of the foreign investment ratio for the following two years). Service-type foreign investment zones refers to areas leased to foreign-invested companies operating a service business creating high added value such as an R&D business. The minimum investment amount required in 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 highest standard factory area ratio. Also, implementation of the business plan should be completed within three years of the date of the occupancy contract.

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

1. Negotiations over attracting foreign investment (KOTRA, city or provincial government ↔ foreign-invested company)

2. Decision on investment (Foreign-invested company → KOTRA, local government)

3. Working-level consultation and establishment of development plan
(KOTRA, local government ↔ Ministry of Trade, Industry & Energy)

4. Request for designation as a foreign investment zone (Local government → Ministry of Trade, Industry & Energy)

5. Examination of feasibility of designation as foreign investment zone
(Investment Promotion Division of the Ministry of Trade, Industry & Energy)

6. Deliberation by the Foreign Investment Working Committee (Chairperson: Vice Minister of Trade, Industry & Energy)

7. Approval by the Foreign Investment Committee (Chairperson: Minister of Trade, Industry & Energy)

8. Designation and notification (Local government)

< Complex-Type vs. Individual-Type >

Classification	Complex-type foreign investment zone	Individual-type foreign investment zone
Overview	Areas are designated in advance to attract small- and medium-sized foreign-invested companies (1994~)	Areas are designated upon the request of foreign investors planning to make large-scale investment (1997~)
Location	Industrial complex	No restrictions (areas desired by foreign investors)
Requirement for designation (or occupancy)	• Requirements for designation: Refer to the above • Requirements for occupancy: Foreign investment ratio of 30% or higher, foreign investment amount of KRW 100 million or more	• Designation standards: Designated after deliberation when an amount above the required minimum amount by business sector is invested (USD 30 million or more in the case of manufacturing, USD 20 million in the case of tourism, USD10 million in the case of logistics)
Location support	• Lease support after 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)	• Lease support after purchase of land (on request) • 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.)	• Qualifications - Manufacturing: USD 10 million or more - Logistics: USD 5 million or more • Reduction or exemption period - National tax reduced for five years: The tax reduction rate applied is equal to the foreign investment ratio for the first three years, and 50% of the ratio for the following two years. - Local tax: Reduced or exempted up to 15 years	• Additional abatement requirements are identical to those for designation. • Reduction or exemption period: - National tax reduced for seven years: The tax reduction rate applied is equal to the foreign investment ratio for the first five years, and 50% of the ratio for the following two years. - Local tax: Reduced or exempted up to 15 years
Reduction or exemption of land rent	• Businesses accompanying high technology** investing USD 1 million or more: 100% exemption for 10 years • Manufacturing businesses investing USD 5 million or more: 75% reduction (100% exemption in parts and materials complexes) • Manufacturing businesses investing USD 2.5 million or more and employing 200 workers or more: 100% exemption • Manufacturing businesses investing USD 2.5 million or more and employing 150 workers or more: 90% reduction • Manufacturing businesses investing USD 2.5 million or more and employing 70 workers or more: 75% reduction	Rent is exempted 100%
Minimum required investment (FDI)	• Investment should be completed within five years of the effective date of the occupancy contract (and should be maintained). • 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% or higher)	• Investment should be completed within five years of the effective date of the occupancy contract. • The minimum investment requirement by industry should be satisfied (at least two times the land price).

* To receive a rent reduction or exemption, a tenant company in a foreign investment zone should file an application to the foreign investment zone management authority and submit the relevant documents of proof. Rent reduction or exemption shall apply starting from the month in which the tax reduction or exemption decision was finalized. Tenant companies should pay the pre-reduction/ exemption rent until plant construction is completed.

** Due to the amendment of related laws currently under way, matters that apply to businesses accompanying high technology and industry supporting service businesses are subject to change. (In the Restriction of Special Taxation Act, 'businesses accompanying high technology' and 'industry supporting service businesses' were revised to 'businesses accompanying new growth driver industry technology'.)

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

Requirements for designation

- New designation: The occupancy demand should cover at least 60 percent of the complex area and measure at least 330,000 m^2.
  * 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.
- Outside the Seoul metropolitan area: A foreign-invested company's occupancy demand for which foreign investment notification was completed should be at least 30 percent of the complex area and the explicit occupancy demand should be 50 percent or more of the complex area.
- Requirements for expansion of existing zones: The occupancy demand should cover at least 80 percent of the existing designated area, and the occupancy demand for which foreign investment notification was completed should cover at least 60 percent of the entire complex area.

Occupancy requirements

- Eligibility: A joint venture company where a foreign-invested company or a company in which a foreigner is the sole investor holds 30 percent or more of the joint venture's total number of stocks with voting rights or total capital. The foreign investment amount should be KRW 100 million or more.
  * 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 by Article 25 (1) 3 (a), (b) of the Enforcement Decree of the Foreign Investment Promotion Act.
- Minimum investment amount: Investment equal to or more than the price of the factory site (the higher between the acquisition 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 (minimum of 12 percent), and factory construction should be completed within five years.

Site rent

A 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	Market rent
100%		90%	75%		1% of the land price	5% of the land price
Businesses accompanying high technology*** investing USD 1 million or more (After a 100% exemption for 10 years, the rent reduction rate shall be decided based on investment amount and scale of employment.)	Manufacturing businesses investing USD 2.5 million or more and hiring 200 full-time employees or more	Manufacturing businesses investing USD 2.5 million or more and hiring 150 full-time employees or more	Manufacturing businesses investing USD 5 million or more	Manufacturing businesses investing USD 2.5 million or more and hiring 70 full-time employees or more	Foreign-invested companies that have implemented the occupancy contract	Foreign-invested companies that have yet to fully implement the occupancy contract and domestic companies in FIZs (suppliers)

* Manufacturing businesses investing USD 5 million or more: 100% exempted for industrial complexes exclusively for parts and materials businesses; 50% reduced for other industrial complexes

** To receive a rent reduction or exemption, a tenant company in a foreign investment zone should file an application to the foreign investment zone management authority and submit the relevant documents of proof. Rent reduction or exemption shall apply starting from the month in which the tax reduction or exemption decision was finalized. Tenant companies should pay the pre-reduction/ exemption rent until plant construction is completed.

*** Due to the amendment of related laws currently under way, matters that apply to businesses accompanying high technology and industry supporting service businesses are subject to change. (In the Restriction of Special Taxation Act, 'businesses accompanying high technology' and 'industry supporting service businesses' were revised to 'businesses accompanying new growth driver industry technology'.)

Rental deposit

A deposit equal to one year's worth of market rent at the time of entering into the occupancy contract should be deposited. The rental deposit may be replaced with a surety insurance certificate on a tenant company's request, and the full amount of rental deposit should be paid when the occupancy contract is signed. If the deposit is raised in a renewed contract and the increased deposit exceeds KRW 10 million, 50 percent of the amount in excess may be reduced.

Execution of business plan

- The occupancy requirements (minimum FDI amount, minimum building to land ratio) should be fulfilled within five years of signing the occupancy contract. The eligibility and requirements for occupancy (foreign investment ratio of 30 percent or more, foreign investment amount of KRW 100 million or more) should be maintained after the business plan execution period.
- In the event that the eligibility criteria for occupancy are not met, the market rental rate shall be imposed. When there are inevitable causes, a grace period of two years may be granted for meeting the eligibility criteria after a negotiation with the Ministry of Trade, Industry & Energy. In this case, the market rent rate shall be applied retroactively from the date of occurrence of the cause of failing to satisfy the requirement.
- In the event that the committed foreign investment amount is not fully invested, the market 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 market rental rate shall be applied to the excess area retroactively from the date of occurrence of the cause.

- In the event that part or all of the foreign investment amount is executed with long-term loans, the market rental rate shall apply when the foreign investment amount fails to satisfy the minimum required amount for occupancy due to repayment of the loans.
- 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 date of occurrence of the cause of failing to satisfy the requirement.
- In the event that the industrial site is returned within five years of the contract signing date without fully executing the business plan, the market rent for the period from the contract signing date to the contract termination date should be paid for the portion of the unexecuted business plan, and the reduced rent should be returned as well.
- Any purchased industrial site shall not be disposed of within five years of 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 commence within two years of signing the occupancy contract (Article 42 (1) 1 of the Industrial Cluster Development and Factory Establishment Act) and shall be completed within five years.

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.
- 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 shall be five percent.

<Complex-Type Foreign Investment Zones (As of end-Dec. 2016)>

	Foreign investment zone	Initial designation date	Leased area (1,000 ㎡)	Occupied area (1,000 ㎡)	Area available for lease (1,000 ㎡)	Monthly rent – 2016 (KRW / ㎡)	No. of tenant companies
1	Cheonan (Chungnam)	Oct. 13, 1994	491.4	491.4	0	291	42
2	Daebul (Jeonnam)	Aug. 29. 1998	1,601.7	1,591.8	22.6	64	37
3	Sacheon (Gyeongnam)	Aug. 17. 2001	495.9	495.9	0	199	15
4	Ochang (Chungbuk)	Nov. 6, 2006	446.3	414.1	32.2	213	10
5	Gumi (Gyeongbuk)	Nov. 6, 2002	332.4	190.1	142.3	149	10
6	Jangan 1 (Gyeonggi)	Sep. 30, 2004	418.2	315.3	102.9	245	14
7	Inju (Chungnam)	Dec. 21, 2004	159.5	159.5	0	150	7

	Foreign investment zone	Initial designation date	Leased area (1,000 ㎡)	Occupied area (1,000 ㎡)	Area available for lease (1,000 ㎡)	Monthly rent – 2016 (KRW / ㎡)	No. of tenant companies
8	Dangdong (Gyeonggi)	Sep. 12, 2005	239.5	229.3	10.2	383	6
9	Jisa (Busan)	Nov. 30, 2005	298.1	239.5	58.6	384	10
10	Jangan 2 (Gyeonggi)	Dec. 21, 2006	368.9	148.5	220.4	303	4
11	Dalseong (Daegu)	Sep. 10, 2008	104.2	84.0	20.2	149	5
12	Gumi (Parts)	Mar. 9, 2009	246.3	149.7	96.6	152	6
13	Oseong Gyeonggi)	Sep. 3, 2009	353.9	135.1	218.8	323	5
14	Pohang (Parts)	Sep. 3, 2009	327.2	191.8	135.4	127	2
15	Iksan (Parts)	Mar. 12, 2010	319.4	124.9	194.5	103	3
16	Changwon (Parts)	Oct. 14, 2010	71.3	32.8	38.5	451	2
17	Mieum (Parts)	Nov. 28, 2011	299.6	131.6	210.3	439	7
18	Cheonan 5 (Chungnam)	Dec. 21, 2012	336.2	232.1	104.1	207	9
19	Woljeon (Gwangju)	May 15, 2013	99.1	59.4	39.7	156 (1st complex) 250 (2nd complex)	3
20	Munmak (Gangwon)	Dec. 10, 2013	99.1	35.2	63.9	249	2
21	Jincheon-Sansu (Chungbuk)	Aug. 20, 2014	108.4	108.4	0	145	3
22	Songsan 2 (Chungnam)	Oct. 12, 2015	134.0	100.0	34.0	290	2
23	Nat'l food industry complex (Jeonbuk)	Oct. 12, 2015	116.0	0	116.0	-	0
24	Chungju (Chungbuk)	Jul. 18, 2016	335.2	-	-	-	-
25	Songsan (Chungnam)	Dec. 20, 2016	165.3	-	165.3	-	-

(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 or 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 Foreign Investment Promotion Act refers to the amount of foreign investment in Article 2 (1) 4 of the Act. However, in individual-type zones, the amount of foreign investment that was executed before application for designation shall be excluded.

Industries	Designation requirement
Manufacturing businesses, businesses accompanying high technology*, industry supporting service business (logistics)	FDI of USD 30 million or more
Tourism, industry-supporting service business (excluding logistics)	FDI of USD 20 million or more (e.g., tourist hotel business, universal amusement facility business)
Logistics, SOC	FDI of USD 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 USD 2 million or more (with at least 10 researchers holding a master's degree or higher having research experience of three years or longer)

※ Due to the amendment of related laws currently under way, matters that apply to businesses accompanying high technology and industry supporting service businesses are subject to change. (In the Restriction of Special Taxation Act, 'businesses accompanying high technology' and 'industry supporting service businesses' were revised to 'businesses accompanying new growth driver industry technology'.)

<Individual-Type Foreign Investment Zones (As of end-Dec. 2016)>

No.	Foreign investment zone	Location	Area (1,000 ㎡)	Initial designation date
1	KOREA TAIYO YUDEN Co., Ltd.	Sacheon (Gyeongnam)	171.6	Oct. 22, 1999
2	J.S.T KOREA Co., Ltd.	Yangsan (Gyeongnam)	20.2	Mar. 14, 2000
3	Korea Autoglass	Sejong City	190.5	Dec. 30, 2000
4	Basf Korea	Yeosu (Jeonnam)	591.7	Dec. 30, 2010
5	Basf Korea	Gunsan (Jeonbuk)	14.2	Jan. 12, 2001
6	Dongbu Hitek	Eumseong (Chungbuk)	137.2	Jun. 29, 2001
7	Dongwoo Fine-chem	Pyeongtaek (Gyeonggi)	252.3	Dec. 29, 2003
8	Asahi Glass Fine Techno Korea	Gumi (Gyeongbuk)	327.2	Jul. 20, 2004
9	Korea MCC Logistics	Saha-gu (Busan)	67.9	Dec. 23, 2004
10	Toray Advanced Materials Korea_Factory 3	Gumi (Gyeongbuk)	191.4	Dec. 30, 2004
11	Avan Strate Korea	Pyeongtaek (Gyeonggi)	88.8	Dec. 30, 2004
12	Korea Hoya Electronics	Pyeongtaek (Gyeonggi)	18.6	Dec. 30, 2004
13	Lintec Korea	Cheongwon (Chungbuk)	49.6	Dec. 31, 2004
14	AGC Display Ochang	Cheongwon (Chungbuk)	164.8	May. 27, 2005
15	Linde Korea	Yongin (Gyeonggi)	26.7	Nov. 23, 2005
16	Praxair Korea	Hwaseong (Gyeonggi)	48.6	Nov. 28, 2005
17	Times Aerospace Korea	Gimpo (Gyeonggi)	335.5	Mar. 29, 2006
18	USG Boral	Dangjin (Chungbuk)	17.8	Dec. 26, 2006
19	Asahi PD Glass Korea	Gumi (Gyeongbuk)	63.9	Dec. 28, 2006
20	Air Products Korea Electronics	Nam-gu (Ulsan)	27.4	Dec. 28, 2006
21	Lotte MRC	Seosan (Chungnam)	66.6	Apr. 30, 2007
22	Stanford Hotel Korea	Mapo-gu (Seoul)	3.4	May 17, 2007
23	Ilsang Ocean Development	Yeosu (Jeonnam)	115.2	Nov. 20, 2007
24	Horizon Taeyoung Korea	Ulju-gun (Ulsan)	43.3	Dec. 6, 2007
25	3M Korea High-tech	Naju (Jeonnam)	5.5	Dec. 27, 2007
26	Toray Battery Separator Film	Gumi (Gyeongbuk)	228.7	Mar. 31, 2008
27	Plaxair Korea	Asan (Chungnam)	15.8	Jul 30, 2008
28	Power Carbon Technology	Gumi (Gyeongbuk)	74.5	Dec. 18, 2008
29	Danone Korea	Muju (Jeonbuk)	119.9	Feb. 27, 2009
30	Eastman Fiber Korea	Nam-gu (Ulsan)	37.7	Aug. 26, 2009
31	Berjaya Jeju Resort	Seogwipo (Jeju)	744.2	Nov. 12, 2009

No.	Foreign investment zone	Location	Area (1,000 ㎡)	Initial designation date
32	ZincOx Korea	Gyeongju (Gyeongbuk)	119.1	Jan. 20, 2010
33	Seohan-NTN Bearing Co., Ltd	Gyeongju (Gyeongbuk)	86.9	Jan. 29, 2010
34	Rohm Haas Electronic materials	Cheonan (Chungnam)	50.1	Sep. 30, 2010
35	Edwards Korea	Cheonan (Chungnam)	40.0	Sep. 30, 2010
36	Fairchild Semiconductor Company	Bucheon (Gyeonggi)	6.6	Dec. 29, 2010
37	Oilhub Korea Yeosu	Yeosu (Jeonnam)	284.3	Dec. 30, 2010
38	Cargill Agri Purina, Inc.	Dangjin (Chungnam)	55.8	Dec. 30, 2010
39	Cargill Processed Fat	Dangjin (Chungnam)	52.1	Dec. 30, 2010
40	Hyundai Cosmo	Seosan (Chungnam)	103.4	Dec. 30, 2010
41	Daw Chemical OLED	Cheonan (Chungnam)	39.5	May. 20, 2011
42	Lotte MRC	Yeosu (Jeonnam)	70.6	May 20, 2011
43	Hyundai Avancis	Cheongwon (Chungbuk)	145.3	May. 20, 2011
44	Molex Korea	Ansan (Gyeonggi)	13.9	May. 26, 2011
45	Denso International Korea	Uiwang (Gyeonggi)	20.6	Jul 20, 2011
46	PACIFIC OCEAN AIRCONTROL	Asan (Chungnam)	10.1	Jul 20, 2011
47	Taegu Tec	Dalseong-gu (Daegu)	57.8	Aug. 1, 2011
48	SSLM	Dalseong-gu (Daegu)	110.4	Aug. 1, 2011
49	UMICORE KOREA LIMITED	Cheonan (Chungnam)	31.7	Dec. 20, 2011
50	Tongsuh Petrochemical	Nam-gu (Ulsan)	28.7	Dec. 22, 2011
51	Air Products Korea	Asan (Chungnam)	8	Mar. 12, 2012
52	Goulds Pump	Cheongwon (Chungbuk)	47	Sep. 21, 2012
53	Dongwoo Fine-chem	Iksan (Jeonbuk)	38.7	Sep. 28, 2012
54	ASE Korea	Paju (Gyeonggi)	27.4	Sep. 28, 2012
55	Samsung Corning Advanced Glass	Asan (Chungnam)	131.3	Oct. 2, 2012
56	Advantest Korea	Cheonan (Chungnam)	39.6	Oct. 2, 2012
57	Hyundai and Shell Base Oi	Seosan (Chungnam)	19.0	Oct. 2, 2012
58	Nisso Namhae Agro	Yeosu (Jeonnam)	8.6	Oct. 5, 2012
59	Ulsan Aromatics	Nam-gu (Ulsan)	168.4	Oct. 11, 2012
60	Baektongshinwon_Jeju Resort	Seogwipo (Jeju)	549.4	Oct. 8, 2013
61	Lotte Versalis	Yeosu (Jeonnam)	150.0	Dec. 12, 2013
62	Toray Advanced Materials Korea	Gunsan (Jeonbuk)	215	Dec. 13, 2013
63	Air Products Korea	Hwaseong (Gyeonggi)	5.9	Dec. 20, 2013
64	Korea Nitto Optical	Pyeongtaek (Gyeonggi)	13.2	Dec. 24, 2013
65	Legoland Korea	Chuncheon (Gangwon)	281.1	Apr. 29, 2014
66	Initz	Nam-gu (Ulsan)	22.1	Jun. 26, 2014
67	NRG Corporation	Yesan (Chungnam)	24.3	Jun. 30, 2014
68	SK Advanced	Nam-gu, Ulsan	104.4	Nov. 13, 2014
69	Toray Advanced Materials (factory no.4)	Gumi (Gyeongbuk)	269.7	Dec. 16. 2014
70	Sumitomo Seika Polymers Korea	Yeosu (Jeonnam)	41	Apr. 9, 2015
71	Tyco AMP	Gyeongsan (Gyeojngbuk)	81.3	Nov. 30, 2015
72	ASM Genitech Korea	Hwaseong (Gyeonggi)	7.2	Dec. 3, 2015
73	Air Products Korea	Pyeongtaek (Gyeonggi)	34.1	Dec. 3, 2015
74	Landing Jeju Development	Seogwipo (Jeju)	1,158	Dec. 4, 2015
75	Greenland Jeju Healthcare	Seogwipo (Jeju)	224.7	Dec. 30, 2015
76	Umicore Materials Korea, ltd.	Cheonan (Chungnam)	83.2	Jul. 20, 2016
77	Kuraray Korea	Naum-gu, Ulsan	6.5	Jul. 21, 2016
78	Stanford Hotel and Resort	Tongyeong (gyeongnam)	17.2	Jul. 21, 2016
79	KOLON BASF innoPOM	Gimcheon (Gyeongbuk)	26.3	Jul. 25, 2016
80	Air Products Korea	Ulju-gun, (Ulsan)	6.5	Dec. 22, 2016

(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 service-type foreign investment zone system 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 foreign-invested company's occupancy demand for which foreign investment notification was completed should be specified. When 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.

<Occupancy Requirements>

Business category	Detailed business type	Employment	Minimum FDI
R&D	Natural engineering and engineering R&D (KSIC code: 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	Finance and insurance businesses under KSIC	15 or more employees	
Knowledge service	Knowledge service businesses under Attached Table 2 of the Enforcement Decree of the Industrial Development Act		
Industry-supporting service (excluding logistics)	Industry supporting service businesses under Article 116-2 (1) of the Enforcement Decree of the Restriction of Special Taxation Act		
Cultural business	Cultural businesses under Article 2 Subparagraph 1 of the Framework Act on the Promotion of Cultural Industries		

3-2 Industrial Complexes Specializing in Parts and Materials

(1) Background

Parts and materials complexes are industrial complexes for high-tech parts and materials manufacturing companies in complex-type foreign investment zones. Such complexes are located in Gumi, Pohang, Iksan and Busan-Jinhae Free Economic Zone, because the areas have convenient living conditions for foreigners and are located near large Korean companies that are in high demand for parts and materials.

<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	Oct. 10, 2010	Dec. 28, 2011
Size (1,000 m^2)	246.3	327.2	319.4	71.3	299.6
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)

※ 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 tenancy in parts and materials complexes. Foreign investment equal to or more than the price of the site area is required for occupancy.

(2) Investment Incentives

	Investment requirements	Incentives
Tax reduction	• Manufacturing businesses: Investment of USD 10 million or more • Logistics businesses: Investment of USD 5 million or more	• Corporate tax reduction or exemption for five years (tax reduction rate: equal to the foreign investment ratio for the first three years, 50% of the ratio for the following two years) • Local tax exemption for up to 15 years
Rent reduction	• Investment of USD 1 million or more for businesses accompanying high technology* • Investment of USD 5 million or more in general manufacturing businesses	Rent-free

※ Due to the amendment of related laws currently under way, matters that apply to businesses accompanying high technology and industry supporting service businesses are subject to change. (In the Restriction of Special Taxation Act, 'businesses accompanying high technology' and 'industry supporting service businesses' were revised to 'businesses accompanying new growth driver industry technology'.)

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 provide 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 designated by the Minister of Trade, Industry & Energy
- Businesses accompanying high technology and 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

※ Due to the amendment of related laws currently under way, matters that apply to businesses accompanying high technology and industry supporting service businesses are subject to change. (In the Restriction of Special Taxation Act, 'businesses accompanying high technology' and 'industry supporting service businesses' were revised to 'businesses accompanying new growth driver industry technology'.)

(1) Incentives

Incentive	Eligibility	Details
Tax reduction or exemption	• Businesses accompanying high technology & industry-supporting service businesses* • Manufacturing businesses investing USD 10 million or more • Logistics businesses investing USD 5 million or more	• Corporate tax reduction or exemption for five years (tax reduction rate: equal to the foreign investment ratio for the first three years, 50% of the ratio 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	• 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	• 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	• Rent reduction/ exemption is granted in the following cases. The foreign investment ratio should be at least 30% or the largest shareholder should be a foreigner. (The condition should be satisfied for 10 years from the date on which rent reduction or exemption applies.) - 100% exemption: Foreign-invested companies in a business accompanying high technology or an industry supporting service business* with new foreign investment of USD 1 million or more - 100% exemption: Foreign-invested companies in a parts and materials business with new foreign investment of 5 million or more - 75% reduction: Foreign-invested companies in a manufacturing business with new foreign investment of USD 5 million or more	

※ Due to the amendment of related laws currently under way, matters that apply to businesses accompanying high technology and industry supporting service businesses are subject to change. (In the Restriction of Special Taxation Act, 'businesses accompanying high technology' and 'industry supporting service businesses' were revised to 'businesses accompanying new growth driver industry technology'.)

(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 (1,000 ㎡)	957	1,256	1,157	248	344	837	991

< Airport/Seaport-Type Free Trade Zones >

Category	Busan Port	Pohang Port	Pyeongtaek and Dangjin Ports	Gwangyan Port	Incheon Port	Incheon Int'l Airport
Date of designation	Jan. 1, 2002	Dec. 8, 2008	Mar. 30, 2009	Jan. 1, 2002	Jan. 1, 2003	Apr. 6, 2005 (Phase 1) Dec. 31, 2007 (Phase 2)
Area (1,000 ㎡)	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 (㎢)	123.97	51.23	77.69	19.73	28.4	4.39	8.95	7.21
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

<table>
<tr><th colspan="2">Recipient/ Support</th><th colspan="2">Tax Incentives</th><th>Reduction Period & Rate</th><th>Requirements for Reduction</th></tr>
<tr><td colspan="2" rowspan="4">Foreign-invested businesses in free economic zones</td><td rowspan="3">National tax</td><td rowspan="2">Corporate tax</td><td>The reduction rate is equal to the foreign investment ratio for the first five years, and 50% of the ratio for the following two years.</td><td>• Manufacturing: USD 30 million or more
• Tourism: USD 20 million or more
• Logistics: USD 10 million or more
• R&D: USD 2 million or more</td></tr>
<tr><td>The reduction rate is equal to the foreign investment ratio for the first three years, and 50% of the ratio for the following two years.</td><td>• Manufacturing: USD 10 million or more
• Tourism: USD 10 million or more
• Logistics: USD 5 million or more
• Medical facilities: USD 5 million or more
• R&D: USD 1 million or more</td></tr>
<tr><td>Customs duty</td><td>Exempted for five years from the import declaration date</td><td>Imported capital goods</td></tr>
<tr><td>Local tax:</td><td>Acquisition tax, roperty tax</td><td>100% exempted for 15 years</td><td>• Manufacturing: USD 10 million or more
• Tourism: USD 10 million or more
• Logistics: USD 5 million or more
• Medical facilities: USD 5 million or more
• R&D: USD 1 million or more</td></tr>
<tr><td rowspan="4">Financial support</td><td>Cash grant</td><td colspan="4">• 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 whether high technology is involved*, technology transfer effects, job creation effects, etc.</td></tr>
<tr><td>Infrastructure facilities</td><td colspan="4">• 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</td></tr>
<tr><td>Foreign education facilities and research facilities</td><td colspan="4">• Expenses for establishing, operating and constructing a foreign education facility are supported.
• Eligibility: Investments that meet certain criteria such as reputability and contribution to national development</td></tr>
<tr><td>Rent</td><td colspan="4">• 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.</td></tr>
<tr><td rowspan="2">Other support</td><td>Eased labor regulations</td><td colspan="4">• Exemption from mandatory employment of the physically disabled.
• Unpaid holidays for employees are permitted, the scope of businesses permitted to use dispatched workers is expanded and the dispatch period is extended.</td></tr>
<tr><td>Free foreign exchange transactions</td><td colspan="4">• For current transactions of USD 10,000 or less, direct payment between the involved parties is permitted.</td></tr>
</table>

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

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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)	Saemangeum
	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	Special Act on Promotion and Support for Saemangeum Project
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	Balanced regional development and strengthening national competitiveness
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	Saemangeum project area
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	Industrial areas are same as FEZs
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	• Administrator of Saemangeum Development and Investment Agency * Saemangeum Committee's resolution 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	Saemangeum Development and Investment Agency
Eligibility for move-in	Foreign investment ratio of 30% or higher, foreign investment amount of KRW 100 million or more • Manufacturing, logistics, etc. • Foreign investment equal to or more than the price of the leased land should be executed within five years of the contract date	FDI requirements: • Manufacturing: USD 30 million or more • Tourism: USD 20 million or more • Logistics: USD 10 million or more • R&D: USD 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.	• Domestic companies, foreign-invested companies
Requirements for tax reduction	• Manufacturing: USD 10 million or more • Logistics: USD 5 million or more	Identical to the above	Identical to those applicable to complex-type foreign investment zones (Article 121, Restriction of Special Taxation Act)		• Manufacturing, tourism: USD 10 million or more • Logistics, medical institution: USD 5 million or more	• Manufacturing, tourism: USD 10 million or more • Logistics, medical institutes: USD 5 million or more

<table>
<tr><th rowspan="2">Classification</th><th colspan="2">Foreign investment zone (FIZ)</th><th colspan="2">Free trade zone (FTZ)</th><th rowspan="2">Free economic zone (FEZ)</th><th rowspan="2">Saemangeum</th></tr>
<tr><th>Complex-type</th><th>Individual-type</th><th>Industrial complex-type</th><th>Airport/ seaport or logistics-type</th></tr>
<tr><td rowspan="2">Taxes reduced</td><td>• Corporate tax and income tax: for five years
• Local tax: For up to 15 years</td><td>• Corporate tax and income tax: For seven years
• Local tax: For up to 15 years</td><td colspan="2">• Corporate tax: For five years (reduction rate: equal to the foreign investment ratio for the first three years, 50% of the ratio for the remaining two years)
• Local tax: Up to 15 years, determined by ordinances</td><td>• Corporate tax: For five years (Seven years when qualified as an individual-type foreign investment zone)
• Local tax: Up to 15 years</td><td>• Corporate tax: For five years (seven years if Saemangeum Committee passes resolution)
• Local tax: For eight years (10 years if Saemangeum Committee passes resolution)</td></tr>
<tr><td colspan="6">Corporate tax reduced for seven years (reduction rate: equal to the foreign investment ratio for the first five years, 50% of the ratio for the remaining two years) irrespective of the region in the case of industry supporting service businesses and businesses accompanying high technology*</td></tr>
<tr><td>Customs duty reduction</td><td colspan="2">Exempted for five years from the day on which imported capital goods have been declared.</td><td colspan="2">Customs duty withheld (imported goods, capital goods).</td><td>Customs duty on capital goods exempted for five years.</td><td>Customs duty on capital goods exempted for five years</td></tr>
<tr><td>Rent</td><td>Approximately 10/1,000 of the site value (Specified in the operation guideline for FIZs)</td><td rowspan="2">100% exempted in the case of state-owned properties</td><td colspan="2">Approximately 10/1,000 of the site value (Determined by the managing authority after consultation with the Ministry of Strategy and Finance)</td><td>Approximately 10/1,000 of the site value (Determined by the managing authority)</td><td>• Minimum rent:
• 1% of value of property (for foreign-invested companies)
• 5% of value of property (for domestic companies)</td></tr>
<tr><td>Rent reduction rate</td><td>• Businesses accompanying high technology* investing USD 1 million or more: 100% exemption
• General manufacturing businesses investing USD 5 million or more: 75% reduction (100% exemption in the case of industrial complexes specializing in parts and materials)
• Manufacturing businesses investing USD 2.5 million or more and employing 200 full-time workers or more: 100% exemption
• Manufacturing businesses investing USD 2.5 million or more and employing 150 full-time workers or more: 90% reduction
• Manufacturing businesses investing USD 2.5 million or more and employing 70 full-time workers or more: 75% reduction</td><td colspan="2">• Rent for factory and factory site exempted for 10 years when certain requirements are met:
– 100% exemption: Foreign-invested companies in a business accompanying high technology or an industry supporting service business* with new foreign investment of USD 1 million or more
– 100% exemption: Foreign-invested companies in a parts and materials business with new foreign investment of 5 million or more
– 75% reduction: Foreign-invested companies in a manufacturing business with new foreign investment of USD 5 million or more</td><td>Determined by the managing authority based on ordinances (50-100% reduction)</td><td>• Businesses accompanying advanced technology investing USD 1 million or more: 100% exemption
• Parts & materials businesses investing USD 5 million or more: 100%
• Manufacturing businesses investing USD 2.5 million or more and employing 200 full-time workers or more: 100% exemption
• Manufacturing businesses investing USD 2.5 million or more and employing 150 full-time workers or more: 90% reduction
• Manufacturing businesses investing USD 2.5 million or more and employing 70 full-time workers or more: 75% reduction</td></tr>
</table>

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

Eligibility	Tax Reduction Method		
	Reduced Tax	Reduction Period	Investment Requirements
• Businesses accompanying high technology and industry supporting service businesses* • Companies in individual-type foreign investment zones	National tax (Corporate tax) * Local tax (acquisition tax and property tax): Up to 15 years	• Reduced for seven years: - For five years: The reduction rate is equal to the foreign investment ratio. - The following two years: The reduction rate is 50% of the foreign investment ratio.	• Advanced technologies: None • Industry: - Manufacturing: USD 30 million or more - Tourism: USD 20 million or more - Logistics: USD 10 million or more - R&D: USD 2 million or more, 10 or more employees holding a master's degree or higher
• Companies in complex-type foreign investment zones • Companies in free economic zones • Companies in free trade zones • Companies in enterprise city development zones		• Reduced for five years: - For three years: The reduction rate is equal to the foreign investment ratio. - The following two years: The reduction rate is 50% of the foreign investment ratio.	- Manufacturing: USD 10 million or more - Tourism: USD 10 million or more - Logistics: USD 5 million or more - R&D: USD 1 million or more ※ Enterprise cities: USD 10 million or more
• Free economic zone development project entities • Enterprise city development project entities • Jeju Investment Promotion Zone development project entities	National tax (Corporate tax)	• Reduced for five years: - For three years: The reduction rate is equal to the foreign investment ratio. - The following two years: The reduction rate is 50% of the foreign investment ratio.	• Total project amount of USD 500 million or more with FDI of USD 30 million or more and FDI ratio of 50% or more

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(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
• Businesses accompanying high technology and industry supporting service businesses* • Companies in individual-type foreign investment zones	• Customs duty • Special excise tax • Value added tax	Capital goods for which import declaration was completed within five years of signing the occupancy 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.
• Companies in complex-type foreign investment zones • Companies in free trade zones • Companies in free economic zones	• Customs duty		

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(4) Financial (Location) Support

<table>
<tr><td>Governing law</td><td>• Article 14 of the Foreign Investment Promotion Act
• Article 6 of the guidelines on funding local governments’ foreign investment attraction activities</td></tr>
<tr><td>Eligible businesses</td><td>• Businesses with foreign investment ratio of 30 percent or higher or businesses whose largest shareholder is a foreigner</td></tr>
<tr><td>Support ceiling</td><td>• The maximum amount of funds provided for the central or local government’s foreign investment attraction activities is:
– 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 percent or higher.)</td></tr>
</table>

<table>
<tr><th>Support Provided</th><th colspan="3">Details</th></tr>
<tr><td>(i) Provision of land for lease
① Land purchase</td><td colspan="3">• Provision of land for lease through designation and purchase of foreign investment zones, etc.
• Sharing of land purchase costs:
– 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</td></tr>
<tr><td rowspan="8">② Rent reduced (state-owned properties)
* The lease period can be renewed by up to 50 years</td><td>Eligibility</td><td colspan="2">Rent reduction rate</td></tr>
<tr><td>Individual-type foreign investment zones</td><td colspan="2">100% exempted</td></tr>
<tr><td rowspan="2">Businesses accompanying high technology** investing USD 1 million or more</td><td>Complex-type investment zones</td><td>100%</td></tr>
<tr><td>Industrial complexes</td><td>50%</td></tr>
<tr><td rowspan="2">General manufacturing businesses investing USD 5 million or more</td><td>Complex-type investment zones</td><td>75%</td></tr>
<tr><td>Industrial complexes</td><td>50%</td></tr>
<tr><td>Parts and materials businesses investing USD 5 million or more</td><td>Complex-type foreign investment zones (specializing in parts or materials)</td><td>100%</td></tr>
<tr><td colspan="3">※ In the case of land owned by more than one central or local government body, rent reduction guidelines of the relevant government body shall apply in proportion to the ownership ratio (rent reduction rules in government-owned property are determined by municipal ordinance.)</td></tr>
<tr><td>(ii) Subsidy for difference of sale price</td><td colspan="3">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.</td></tr>
<tr><td>(iii) Rent subsidized</td><td colspan="3">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.</td></tr>
</table>

※ To receive rent reduction or exemption, a tenant company in a foreign investment zone should make an application to the foreign investment zone management authority and submit the relevant documents of proof. The reduced rent shall apply from the month in which the rent reduction decision was made. Tenant companies should pay the pre-reduction rent until factory construction is completed.

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(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.