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Incentive System of the Jeju Investment Promotion Zone

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What is the incentive system of the Jeju investment promotion zone?

With the aim to become the leading free international city in Korea, Jeju Special Self-Governing Province established the incentive system to provide tax benefits including tax exemption to local and foreign investors investing in the core industries of the province.

Designation criteria and requirements

Individual-type: Investor-preferred regions ([Article 162.1.1 of the Special Act on the Establishment of Jeju Special Self-Governing Province and the Development of Free International City](#))

·**Target industries:** 24 industries

- Tourism-related industries including: tourist hotels, marine tourism hotels, Korean traditional hotels, resorts (excluding golf courses), cruises, concert halls, amusement parks, international conference facilities, restaurants
- Cultural industry, welfare facilities for the elderly, youth training facilities, railway business, new and renewable energy industry
- Foreign educational institutions, independent schools, international high schools, international schools, training centers
- Medical institutions, healthcare-related research and development service industry
- Advanced technology industry, food and beverage industry (within the water industry cluster)

·**Requirements for land designation**

- The approval, confirmation, admission and notification of the development plan must be received in accordance with each relevant law.
- The Governor shall designate a land area if the development plan meets the facility

requirements in accordance with the relevant law.

※ Other institutions shall not be able to designate such land area.

·**Application deadline:** Within six months from the beginning of the construction

·**Recipients:** New local and foreign investors

·**Total investment** (the exchange rate is based on the date of application)

- **Tourism-related projects: More than USD 20 million**

- **Other projects: More than USD 5 million**

※ Investment expenses: Land purchase cost, construction cost, measurement and research costs, design cost, equipment purchase cost, etc.



Complex-type: Regions favorable for attracting investment (**Article 162.1.2 of the Special Act on the Establishment of Jeju Special Self-Governing Province and the Development of Free International City**)

·**Target regions:** Areas confirmed as an amusement park facility or a district-unit plan

·**Target industries:** 24 industries (same as the individual-type)

·**Project developers:** Central and local governments, public agencies, local public agencies, Jeju Development Center, investment corporation of the Jeju Development Center

·**Land ownership:** The project developer shall secure an ownership or a right to use more than two-thirds of the land

·**Total investment:** more than KRW 100 billion (Article 116.15 of the Enforcement Decree of the Restriction of Special Taxation Act)

Provision of incentives



Tax reduction – **Until Dec. 31, 2018** (The “Sunset Law” is applied.)

·**National tax**

Classification	Tax reduction	Applicable laws
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Corporate tax · Income tax	<ul style="list-style-type: none"> - Tenant companies: Tax exemption for three years, 50% reduction for the next two years - Project developer: 50% reduction for three years, 25% reduction for the next two years 	Article 121.9 of the Restriction of Special Taxation Act
Tariff	Capital goods, which have been imported within three years from the date of designation, to be used for the project	Article 121.11 of the Restriction of Special Taxation Act

※ **Tenant companies**

- Investors in the individual-type regions
- Investors that have purchased partial or full land of the complex-type regions

※ **What is the tax year, the first year's income, of projects that benefit from tax reduction?**

From the beginning date of the business to the fifth year of the business (If a project did not generate any income, the tax year will include the fifth year of the business)

· **Local tax**

Classification	Tax reduction	Applicable laws
Acquisition tax	Exempted (One must apply in advance for a tax reduction when acquiring land.)	Article 24.2 of the Ordinance on Tax Reduction of Jeju Special Self-Governing Province
Property tax	Tax exemption for ten years from the date of designation	

※ If the acquisition and property taxes exceed KRW 2 million and KRW 500,000, respectively, 85% of the tax will be deducted.



Other charges

Classification	Reduction	Applicable laws
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Development charge	Exempted	Article 4 of the Enforcement Decree of Restitution of Development Gains Act (Asterisk 1)
Farm land development charge	50%	Article 52 of the Enforcement Decree of Agricultural Land Act (Asterisk 2)
Alternative grassland establishment cost	50%	Article 16.3 of the Enforcement Decree of Grassland Act (Asterisk 2)
Alternative forest resource establishment cost	50%	Article 23.1 of the Enforcement Decree of Management of Mountainous Districts Act (Asterisk 5)
Public water surface-use cost	Exempted	Article 13.1.8 of the Public Waters Management and Reclamation Act
Amount borne by causers of sewerage	50% by 2014 25% by 2015 15% after 2016	Article 57.4 of the Ordinance on the sewerage usage of Jeju Special Self-Governing Province Article 3 of the Notification on the reduction standard of the amount borne by causers of sewerage of Jeju Special Self-Governing Province



Lease of national and public property

·**Applicable laws:** Article 165 of the Special Act on the Establishment of Jeju Special Self-Governing Province and the Development of Free International City; Article 29.7-8 of the Ordinance on the public property management of Jeju Special Self-Governing Province

·**Lease period:** Possible to lease or build permanent facilities within 50 years (renewable)

·**Recipients:** Within 75% of reduction for tenant companies in the investment promotion zone. When selling the land, the amount should be paid by installments over 20 years.

※ The lease of national and public property shall be decided upon prior negotiation with the relevant department when applying for the approval, confirmation, admission and notification of the project. The recipient will receive such benefits after the designation of the area as an investment promotion zone.

Designation process of the investment promotion zone

1. Apply for designation

- ① Apply for designation (Asterisk form, Article 5 of the Ordinance)
- ② Obtain opinions from the Mayor and relevant experts (more than 2 people)
- ③ Investigate investor's investment capability (credit rating, etc.)
- ④ Notify the review result within 60 days (Governor → investor)



2. Establish a designation plan and obtain opinions

- ① Establish a designation plan (Governor)
- ② Notify the designation plan online
- ③ Open to the public (for 14 days)



3. Deliberate the plan by the comprehensive plan deliberation committee

- ① Request deliberation of the designation plan
- ② Deliberate the plan by the comprehensive plan deliberation committee
 - Review the effects affecting the regional economy including the investment feasibility, efficient usage of the land and job creation



- Examine ways to attract regional companies to participate in the project and promote the regional society

4. Designate and notify
(Governor)



① Announce as Notification of Jeju Special Self-Governing Province (via online)

- Name, location and area of the investment promotion zone

- Development and management methods of the investment promotion zone

- Major businesses of the investment promotion zone

5. Manage the
investment
promotion zone
(Governor)

① Report on the updates of the investment:
Half-yearly at the end of August and February
(investor → Governor)



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