

Every month, KOTRA Express provides answers to some frequently asked questions submitted by foreign-invested companies in Korea and potential investors.

Recognition as foreign investment when the foreign investment ratio falls short



If a foreigner acquires less than 10 percent of a company's preferred shares without voting rights and awards a contract for dispatching executive officers, can the share acquisition be recognized as foreign investment?



Yes.



Additional information

- With the amendment of the Enforcement Decree of the Foreign Investment Promotion Act in January 2004, the requirement "owning less than 10 percent of the total number of voting stocks or total equity investment of a Korean corporation or a company run by a Korean national" was deleted¹²⁾. In this regard, if a foreigner owns stocks or shares - both preferred shares and common shares - of a Korean company and awards a contract for dispatching executive officers, the foreigner is deemed to have a purpose of establishing a continuous economic relationship with the said Korean company and the share ownership shall be recognized as foreign investment.
- However, if executive officers are not elected at a general meeting of shareholders until the date set forth in the contract to dispatch or elect executive officers, the company shall retroactively lose its status as a foreign-invested company.

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

If you have further questions please contact +82-1600-7119 or visit www.investkorea.org >>How We Can Help >> Online Consulting.