



Business in Korea 2024



Incentive

PART 4

R&D Support

- Business-Affiliated Research Institute, etc.
- Professional Research Business



Korea has a well-structured industrial infrastructure and advanced human resources, making it an optimal place for research and development activities. Moreover, the Korean government pursues sustainable growth and invests in high technology and future growth engine industries, and also does not spare efforts to support R&D activities which lay the foundation for the nation's competitiveness. On receiving the report of business-affiliated research institutes and R&D departments of companies, the government provides benefits for R&D activities in regard to research personnel, taxation, customs duty, funding and technical support. A business that supports R&D activities can be designated as a research and development service business to receive government incentives similar to that provided to business-affiliated R&D institutes in areas such as research personnel, taxation and finance. In particular, a foreign-invested company can receive additional incentives including cash grants, tax benefits and site support if it has an R&D facility that meets certain qualifications. In addition, a regional headquarters or R&D facility designated by the Minister of Trade, Industry and Energy are eligible to apply for a business investment (D-8) visa.



Business-Affiliated Research Institute, etc.

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

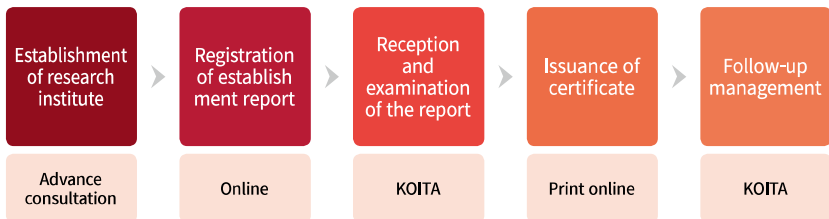
→ Current status : 40,693 business-affiliated research institutes, 27,787 departments solely responsible for R&D (as of Sep. 2019)

※ Related law: Article 14-2 of the Basic Research Promotion and Technology Development Support Act , Article 16-2 of the Enforcement Decree of the Act

01. Reporting

After the establishment of a business-affiliated research institute or a department devoted to R&D meeting certain qualifications, the necessary documents shall be prepared and submitted to the Korea Industrial Technology Association (KOITA). Reporting is only available online.

【 Reporting Process 】



* Due Date for Processing: Processing is completed within seven days of submitting the report. However, the time it takes for the company to correct incomplete application forms and submit omitted documents shall not be included in the processing period.

※ Contact (Application for business-affiliated research institute or department devoted to R&D)
KOITA research institute approval team 02-3460-9141~46, 9013~17



02. Requirements for Approval

Business-affiliated research institutes or departments devoted to R&D must satisfy both human resources requirements and facility requirements in order to receive approval.

Classification			Requirements
Human resources requirements	Business-affiliated research institutes	Start-ups	2 or more research personnel
		SME established by researchers	
		Small-sized company	3 or more research personnel (2 or more within 3 years of starting business)
		Medium-sized company	5 or more research personnel
		Corporate research institutes located overseas (Overseas research institutes)	
		Middle-standing company	7 or more research personnel
		Conglomerates	10 or more research personnel
Facility requirements	Departments dedicated to R&D	Applied regardless of company size	1 or more research personnel
	Required facilities and space		Independent research space and facilities essential for R&D activities

IN DETAIL

Requirements for Approval as a Research Institute

① Qualifications of a Research Personnel

A holder of a bachelor's degree or higher in the field of science (natural science, engineering, and medical fields) or a technical and functional engineer related to the R&D activities under the National Technology Qualification Act. This criteria applies to any company regardless of its size, but separate qualification criteria shall be applied in the case of small and medium-sized enterprises, middle standing enterprises, and companies whose main area of business is industrial design and knowledge-based services.

※ Related law: Article 2 (3) of the Enforcement Rules of the Basic Research Promotion and Technology Development Support Act











② Research Space and Facilities

Fixed walls should be installed so that the research space can be distinguished from other departments and independent space with a separate entrance shall be secured. In the case of small businesses, it is permitted to set aside a small research space (floor space of 30 m² or smaller) with partitions to distinguish it from other departments instead of installing an entrance and attach a signboard to a partition. Machinery, equipment, instruments and materials to be used directly in R&D activities must be present in the research space.

03. Support Provided

A company that registered its business-affiliated research institute or department solely responsible for R&D is eligible to receive support in regard to taxation, customs duties, employment, funds, sales channels and technology.

① Tax and Customs Duties Support

Items		Related laws
Tax credit for research expenses and HR development expenses	General research	Article 10 of the Restriction of Special Taxation Act  (Attached Table No. 6)
	New growth engine	Article 10 of the Restriction of Special Taxation Act  (Attached Table No. 7)
Tax credit for integrated investment		Article 24 of the Restriction of Special Taxation Act 
Local tax reduction for the real estate to be used as a business-affiliated research institute		Article 46 (1) of the Restriction of Special Local Taxation Act 
Special taxation for technology transfer and leasing, etc.		Article 12 of the Restriction of Special Taxation Act 
Income tax reduction for foreign engineers		Article 18 of the Restriction of Special Taxation Act 
Special taxation for the contributions related to R&D, etc.		Article 10-2 of the Restriction of Special Taxation Act 
Corporate tax reduction for hightech companies in special research and development zones		Article 12-2 of the Restriction of Special Taxation Act 
Non-taxation of income tax for research funds for a research personnel		Article 12 Subparagraph 12 Item c of the Enforcement Decree of the Income Tax Act 
Customs duty exemption for industrial technology R&D goods		Article 90 (1) 4 of the Customs Act 








② Financial Support

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

③ Human Resources

Support Provided	Details	Contact
Expert research personnel system	Substitute for military service	KOITA 02-3460-9124
Research manpower support project for small- and medium-sized company (employment, dispatch)	Support of personnel expenses when employing research manpower	KOITA 02-3460-9082
Support project for core research manpower development for companies of middle standing	Support of personnel expenses when employing research manpower	KIAT 02-6009-3541
Youth Tomorrow deduction	Support for young adults' savings	Ministry of SMEs and Startups 1357
Project internship linking ICT academic credits	Subsidy for the cost of internship programs	Federation of Korean Information Industries 02-2132-0726
Capacity-building project for industrial professionals	Funding for professional human resources development	KIAT 02-6009-4375
Project for invitation of high-level overseas scientists (Brain pool)	Funding for invitation and research support	National Research Foundation of Korea 042-869-6377
Employment recommendation system (Gold Card)	Employment recommendation of overseas technical talent	KOTRA 02-3460-7338
Global talent discovery service	Support attraction of overseas professionals	KOTRA 02-3460-7337
Subsidy of additional employment of the young	Support of employment subsidy	Ministry of Employment and Labor 1350
Meditation center for science and engineering human resources	Brokerage of science and engineering human resources	KOITA 02-3460-9033

④ Technology Support

Department	Support	Related Information
Ministry of Trade, Industry and Energy	Reliability voucher project (Support to material development)	www.신뢰성바우처.org 
Ministry of Science and ICT	K-Global projects	k-global@nipa.kr www.nipa.kr 
	Support to industry-study cooperation cluster	www.koita.or.kr 
	Follow-up R&D project of joint academic research institute	
Ministry of SMEs and Startups	Support for consulting of small- and medium-size company	https://mss.go.kr/site/smba/main.do 
	Support for acquisition of overseas standard certification	www.exportcenter.go.kr 
Korea Intellectual Property Office	Strategy support business for IP-R&D	http://biz.kista.re.kr/ippro 
	Support for patent technology evaluation related to commercialization	https://www.kipa.org 

Professional Research Business

① Definition of specialized research business

A specialized research business is a person with expertise operating a research business who has reported such pursuant to Article 6 (1) of the R&D Industry Promotion Act.

	Category	Business Contents
Research business	R&D service business	An on-demand research business that independently conducts R&D or is entrusted to perform R&D activities by a foreign-invested company, or a research management business supporting R&D activities such as R&D related technology information survey and provision, etc.
	R&D support business	A research equipment business developing, or improving or repairing equipment for R&D and peripheral systems and parts, and research material business developing and providing parts and materials needed for R&D

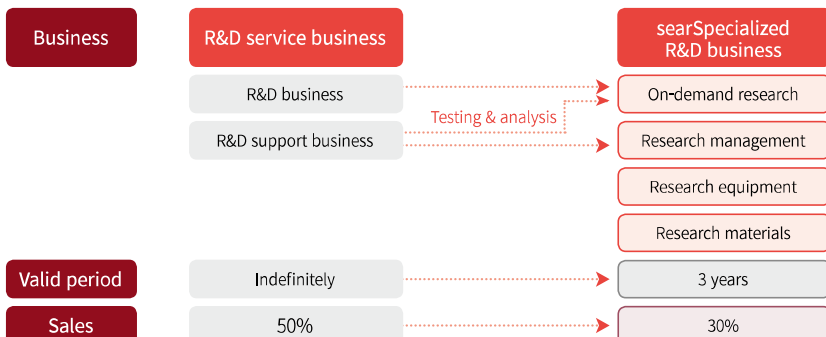
② Report of specialized research business

A specialized research business meeting certain qualification such as expert personnel should report to the Minister of Science and ICT, the purpose of which is to promote companies operating a business in R&D such as on-demand research, research management, and research materials and to strengthen the competitiveness of such businesses. Various business and policy support are provided to the reporting specialized research businesses.

Article 6 of the R&D Industry Promotion Act (Report, etc. of specialized research business)	<p>(1) A person who is a research business intending to receive support, etc. according to this Act, the relevant requirements prescribed by Presidential Decree should be satisfied and he/she should report the specialized research business to the Minister of Science and ICT</p> <p>(2) – (5) Omitted.</p> <p>(6) The requirements for change of report, receipt and processing of report, and procedure for renewal of report, etc. shall be as prescribed by Presidential Decree.</p>
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* An R&D service provider that reported its business pursuant to the Special Act on Support of Scientists and Engineers for Strengthening National Science and Technology Competitiveness shall be deemed as having reported as a specialized R&D business pursuant to the R&D Industry Promotion Act and the report shall be effective for three years.

【 Report system is replaced with specialized R&D business report system 】



01. How to report

[Report Process]



Transitional measures according to the change of the report system
→ The previously issued R&D service business report shall be valid for three years (Oct. 21, 2021-Oct. 20, 2024)
→ Issuance of report as a specialized R&D business when making new report (business type, representative, location)
→ The report should be renewed from three months before the date of elapse of three years and no later than one month before such date (Jul. 20-Sep.20, 2024)
※ **Inquiries (Korea R&D Industry Association)**
TEL 02-779-9071
Address: 3F, 21 Mygyo-ro, (Mugyo-dong), Jung-gu, Seoul
E-mail: mdia@rndia.or.kr / Website www.rndia.or.kr

02. Requirements for report

Business	Personnel	Material requirements	Sales	Exceptions
On-demand research	3 or more experts	2 or more scientists or engineers	On-demand R&D sales account for 30% or more of total sale	2 or more experts for testing /analysis business
R&D	2 or more experts	-	Sales from research management business account for 30% or more of the total sales	-
Research equipment	2 or more experts	1 or more self-developed research equipment, 3 or more annual sales of the research equipment		“Research equipment maintenance and repair business” should have 3 or more records of maintenance and repair a year
Research materials	2 or more experts	1 or more self-developed research materials, 3 or more annual shipment of the research material		-
Note	※ The representative is not included in the scope of experts. (However, the representative of a small company pursuant to the Enforcement Decree of the Framework Act on Small and Medium Enterprises which was established not more than three years ago shall be included.)			

→ Scope of experts (Article 2 (5) of the Enforcement Decree of the R&D Industry Promotion Act) “Experts” refers to personnel falling under any one of the following items, who only handle research business-related affairs. However, personnel in the field of research management business under subparagraph 2 shall be deemed to include personnel with a degree in a field related to the research management business.

A. A person with a degree in natural science, engineering and medicine pursuant to attached Table 1 of the regulations on the establishment and operation of universities.

B. An industrial engineer in the field of technology under subparagraph 1 of Article 9 of the National Technical Qualifications Act or a person with an equivalent qualification

→ Scope of research facilities (Article 2 (5) of the Enforcement Decree of the R&D Industry Promotion Act)

→ “Research facilities” means research material and attached facilities detached from other business areas and directly used in R&D activities. However, research areas in illegal buildings, temporary buildings or residential buildings (including apartments) are not considered research facilities.

Subcategory of research businesses

Classification	Subcategory	Classification	Subcategory
On-demand research	R&D in natural science	Research equipment	Development of optical and electronic visual device
	R&D in engineering		Development of compound pre-treatment and analysis equipment
	Convergence R&D		Development of physical measurement equipment
	Testing & analysis		Development of other research equipment
Research management	R&D planning and project management	Research material	Maintenance and repair of research equipment
	Support for management and use of R&D outcome		Research substances and reagent development
	R&D product design		Development of research equipment
	Research personnel provision and education		
	Lab safety management		Development of other research materials

* Testing and analysis business (composition testing, structure and product testing) is classified as R&D support business, but it is classified as on-demand research business under the R&D Industry Promotion Act.

03. Support provided


Support for participation in major government R&D business

Ministry of Science and ICT	Ministry of Trade, Industry and Energy	Ministry of SMEs and Startups	Ministry of Land, Transport and Infrastructure	Ministry of Agriculture, Food and Rural Affairs
<ul style="list-style-type: none"> Basic research business Space technology development business Nuclear research development business Nuclear fusion equipment and accelerator research support business Telecommunication broadcasting R&D business Industrial technology development business 	<ul style="list-style-type: none"> Energy technology development Technology transfer and commercialization facilitation business Electricity technology R&D business 	<ul style="list-style-type: none"> Research equipment joint utilization support SMEs' technology innovation development SMEs' convergence technology development business SMEs' commercialization technology R&D business ESP (Engineering Service Provider) 	<ul style="list-style-type: none"> Construction technology research Plant research Geographical information system R&D business Railway technology R&D Air safety technology R&D business 	<ul style="list-style-type: none"> Genetic disease treatment technology High value-added food and technology development Agriculture and bio technology development High-tech manufacturing technology development Korea Post- Genome Project

→ For the ministries that have yet to apply the above, the related laws shall be reflected in legislative notices.

→ The Ministry of Environment and the Ministry of Health and Welfare provide the legal ground for support based on the regulations on handling R&D businesses

IN DETAIL

- ① Appropriation of research personnel's labor costs participating in national R&D projects
 - An expert R&D business may appropriate the labor costs of its research personnel in the research plan and pay in cash.
 - ※ “Regulations on the management, etc. of national R&D projects”  attached Table 2
- ② When participating in a national R&D project the indirect research expense shall be recognized up to 10% of the direct expense.
- ③ Tax support
 - Tax credit for R&D expenses in the R&D business: A certain percentage of the R&D expenses incurred by a company is deducted from corporate tax or income tax.
 - Special tax credit for SMEs' R&D support business: A certain percentage of the income tax or corporate tax on income incurred in a company is deducted.
- ④ Research personnel support program
 - Support of expert research personnel (military duty exemption) For R&D businesses designated as an expert R&D institute, military duty for newly employed expert research personnel shall be exempted.
- ⑤ Financial support
 - Technology guarantee and technology assessment program
A technology guarantee certificate can be issued from the technology guarantee fund, or the technological value, commercial value and marketability of the relevant technology is assessed and funding can be received from a financial institute, etc.

Frequently Asked

● Question & Answer ●



1. If a company dedicated to research has only a department responsible for research and no other departments and the representative director takes care of all other matters (e.g., management), can the company apply for a department devoted to research?



The applicant company must have one or more other department in addition to a business-affiliated research institute or department devoted to research, and one or more full-time employee (excluding the representative director) should be working for the other department(s). Research personnel and fulltime employees should be subscribed to the four major insurances of Korea.



2. Can a department carrying out research activities on economic trends, etc. be recognized as a business-affiliated research institute or a department devoted to research?



Research activities other than those in science and technology such as market research and economic trend study are not recognized. The final output should be related to scientific and technological progress and be aimed at providing a systematic solution to scientific and technological uncertainties. Daily repetitive software-related activities such as operation of computing system in the company and commercial production after the product test phase are not considered R&D activities.



3. What are the differences between a business-affiliated research institute and department devoted to research and development?



The facilities requirement for application is the same for both a business-affiliated research institute and a department devoted to research and development, but in terms of human resources requirement, the requirements are eased for departments devoted to R&D (i.e., the number of full-time researchers is one or more). Benefits for taxation and customs duties are identical for the two, but there are some differences in taxation of local tax (including acquisition tax and property tax) and special cases concerning military service system.



4. Is a researcher in a business-affiliated research institute able to engage in activities such as sales support in addition to R&D activities?



No person working in any business-affiliated research institute, etc., shall assume any duties other than research and development activities, including any business activities relating to production, selling, and sales. However, this excludes cases where any person working in a business-affiliated research institute, etc., of a small enterprise for which three years have not passed since the date of its establishment, concurrently serves as a chief executive officer of the small enterprise.

※ Related law: Article 14-4 of the [Basic Research Promotion and Technology Development Support Act](#) 

