

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

## Scope of capital goods

**Q. A foreign-invested company incurred expenses on technical knowhow (e.g., outsourced design expense, pilot test expense) and engineering (e.g., technical training expense, expense for technicians) required for the initial test of a facility that is recognized as capital goods. In this case, are such expenses considered capital goods as well?**

**A.** Yes.

### Additional information

- Article 2 (1) 9 of the Foreign Investment Promotion Act states that the term “capital goods” means machinery, apparatus, facilities, equipment, parts, accessories as industrial facilities (including vessels, motor vehicles, aircraft, etc.), livestock, breeds or seeds, trees, fish and shellfish which are necessary for the development of agriculture, forestry, and fisheries, raw materials and reserve supply deemed necessary by the competent Minister (referring to the head of the central administrative agency in control of the project concerned) for the initial test (including pilot projects) of the facilities concerned, and the fees for transportation and insurance required for the introduction thereof and other know-how or service necessary therefor
- In the above definition, “know-how or service necessary therefor” means the expense for the know-how or service required for the initial introduction of industrial facilities. In this regard, the expense for know-how on the installation and initial testing of facilities and service expenses including those for engineering are included in the scope of capital goods.

*If you have further questions please contact +82-1600-7119 or visit [www.investkorea.org](http://www.investkorea.org) >>How We Can Help >> Online Consulting.*