

Korean Free Economic Zones

There are nine KFEZs in Korea.



KFEZ: Korean Free Economic Zone

The Korean Free Economic Zone (KFEZ) is a global business hub where the world's capital and information flourish, providing the best and the most favorable business environment for global corporations.

KFEZs are specially designated business districts designed to improve the business climate and living conditions for foreign-invested companies in Korea and to extend measures to provide regulatory relief by which to promote and attract foreign investment.

Starting with the FEZ in the city of Incheon since 2003, the number of FEZs in operation has grown to nine: Incheon, Busan-Jinhae, Gwangyang Bay Area, Gyeonggi, Daegu-Gyeongbuk, Chungbuk, the East Coast, Gwangju and Ulsan.

The cumulative total of foreign direct investment attracted in KFEZs is USD 19.2 billion as of 2020. Also, the number of businesses residing around KFEZs including the world's flagship companies such as GE and BMW totals 6,140.

Today, KFEZs have become one of the most appealing investment destinations and top of mind for global investors seeking business opportunities in Asia.

Cumulative FDI Inflows

USD 19,185,000,000

No. of Tenant Companies in KFEZ

6,140 EA

Logistics Hub of Northeast Asia

Korea is located at the center of Northeast Asia, emerging as one of the world's top three economic powerhouses. Located between the world's second and third largest economy, China and Japan, Korea provides direct flight access to as many as 147 neighboring cities (which are reachable by air within three hours) with a population of more than a million.

As a transportation hub, its geographical advantage makes Korea the most ideal location to enter the Northeast Asian markets whose economy comprises of more than 1.6 billion people.

Country	Population (Rank)	GDP (Rank)
Korea	28	10
China	1	2
Japan	11	3

※ Sources: Official population clock, International Monetary Fund, 2020

Tax Exemption

In accordance with statutory ordinance stipulated on the 『Special Act on Designation and Management of Free Economic Zones』 and 『Restriction of Special Taxation Act』, KFEZs offer exemptions or reductions in tariffs, acquisition tax and property tax for foreign-invested companies and business project operators in KFEZs.

Foreign-invested companies in KEFZs

Classification		Benefits	Requirements
National tax	Tariffs	100% exemption for 5 years	Imported capital goods only
Local tax	Acquisition tax	100% exemptible for up to 15 years pursuant to ordinances enacted by each municipal government	<ul style="list-style-type: none"> - Manufacturing, tourism: USD 10 million or more - Logistics, medical institution: USD 5 million or more - R&D: USD 1 million or more (employing 10 or more researchers)
	Property tax	Exemptible for up to 15 years pursuant to ordinances enacted by each municipal government	

Business project operators in KFEZs

Classification		Benefits	Requirements
National tax	Tariffs	100% exemption for 5 years	Imported capital goods only
Local tax	Acquisition tax	100% exemptible for up to 15 years pursuant to ordinances enacted by each municipal government	A company ;whose foreign investments take up over USD 30 million, ;whose foreign investors represent more than 50% of the company ownership ;whose project costs are more than USD 500 million.
	Property tax	Exemptible for up to 15 years pursuant to ordinances enacted by each municipal government	

Regulatory Relief Package

KFEZs extend measures to provide regulatory relief as a means to incentivize and support business activities of foreign companies in Korea. By relaxing the level of legislative scrutiny, KFEZs are shaping a more conducive business environment to help companies concentrate more on running business in Korea.

Classification	Details
Relaxation in labor laws	<ul style="list-style-type: none"> - Not obliged to fill vacant job positions with persons of national merit, the disabled, or the elderly - Unpaid leave is permitted - May expand the type of work and terms of dispatched worker assignments
Exemption of Liability for 『Seoul Metropolitan Area Readjustment Planning Act』	Any foreign-invested company in an FEZ shall be exempted from liability to comply with provisions prescribed in the Article 7: Restricted actions in the overcrowding control area, Article 8: Restricted actions in the growth management area, Article 12: Imposition and collection of the overcrowding charges, Article 18: Quota system management for the crowd-inducing facilities, Article 19: Control on the mega-scale project development of 『Seoul Metropolitan Area Readjustment Planning Act』
Easier Access to Foreign Exchange Transaction	A foreign-invested firm may directly engage in foreign currency transfer to clear a business transaction, up to a limit of USD 20,000

Financial / Site Support

Following statutory provisions concerning the 『Act on Designation and Management of Free Economic Zone』, 『Foreign Investment Promotion Act』 and municipal legislative framework on investment promotion, KFEZs offer a full range of financial or site support programs to help foreign-invested companies gain better access to finance, infrastructure or office space for rent.

Classification	Details	Requirements
Cash grants	A foreign-invested company whose foreign investors represent more than 30% of the company ownership may be granted subsidies covering construction costs to build production/ R&D facilities, recruitment /HR training etc. The scope and the coverage of the grants shall be provided under specific terms mutually agreed upon by all parties to a negotiation.	A foreign-invested company whose foreign investors represent more than 30% of the company ownership may be granted subsidies. The scope, coverage and eligibility of the funding program shall be decided after deliberative process to assess multiple factors: the impact of technology transfer, the scale of job creation and the potential candidate's technology capacity etc.
Support to build up infrastructure	A foreign-invested company may be granted subsidies funded to build out industry infrastructure: roads, railways, airports, ports, water supply and sewage system and waste treatment facilities etc.	<ul style="list-style-type: none"> - 50% of cash grants shall be sourced from the government budgets. - 100% of cash grants shall be offered, provided that the Free Economic Zone Committee approves the potential candidate's grant application.
Support to run overseas education program / research institutes	A foreign-invested company may be granted subsidies covering the establishment, operation and construction of overseas education and research facilities.	A company that meets assessment criteria stated such as contribution to national development, brand reputation, etc.
Rent assistance	A foreign-invested company may lease publicly (government) owned property for up to 50 years. - The rent shall be equivalent to 10/1,000 of the land price	Foreign-invested companies
Tenancy rent reduction or exemption	50%-100% exemptible pursuant to ordinances enacted by each municipal government	Foreign-invested companies

Systemic and Professional One-Stop Service

Each FEZ designates individual project managers who support all investment procedures from preliminary review for investment to follow-up management. The project managers not only provide business consulting for new investment opportunities and prospective investment partners, but also administrative support for legal affairs, accounting and tax management. This will help investors make swift business decisions.