

What benefits or support are provided for foreign investment pursuant to the Foreign Investment Promotion Act?

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

Q. **Compared with foreign investment pursuant to the Foreign Exchange Transactions Act, what benefits or support are provided for foreign investment pursuant to the Foreign Investment Promotion Act?**

A. A foreign-invested company under the Foreign Investment Promotion Act is basically treated in the same manner as purely domestic companies (national treatment) and can receive preferential treatments in terms of taxes and location.



• General benefits

- **Guarantee of remittance to foreign countries:** Remittance of dividends and proceeds from the sale of the stocks and shares owned by a foreign investor shall be guaranteed in accordance with the details of the report or permission at the time of such remittance.
 - **National treatment:** Except as otherwise explicitly prescribed by law, foreign investors and foreign-invested companies shall be treated in the same manner as Korean nationals or corporations with respect to their business operation.
 - **Special treatment for import declaration of capital goods:** Imported capital goods for which confirmation of review of specification of imported capital goods was obtained pursuant to the Foreign Investment Promotion Act shall be considered as having obtained import approval under the Foreign Trade Act.
 - **Special treatment for investment in kind:** A “certificate of completion of investment in kind” verified by the Commissioner of the Korea Customs Service shall be deemed an “investigation report by inspector” under Article 203 of the Non-Contentious Case Procedure Act to ease the procedures prescribed by the Commercial Act.
- **Tax reductions and exemptions:** National taxes and local taxes may be reduced or exempted when engaging in businesses subject to tax reductions and exemptions under the Restriction of Special Taxation Act or the Restriction of Special Local Taxation Act (businesses accompanying technologies for new growth engine industries, etc.). However, corporate tax reductions and exemptions were eliminated on December 31, 2018.

• Industrial site support

- The land, factories, or other property owned by the State, local government, or public institution may be used, profited from, lent, or sold to a foreign-invested company by a negotiated contract.
 - When State-owned land is rented to a foreign-invested company, its rental charges may be reduced or exempted.
- **Exemption of customs duty:** Customs duty shall be exempted for capital goods* that are directly used in the business subject to tax reductions or exemptions and are imported within five years from the date of the report** of foreign investment by the acquisition of newly issued stocks. (Individual consumption tax and value-added tax are also exempted for foreign-invested companies that operate in a business accompanying technologies for new growth engine industries and a tenant company of an individual-type foreign investment zone.)

* A means of international payment for the investment by a foreign investor in a foreign-invested company, or capital goods introduced as a means of domestic payment incurred by the exchange of such a means of international payment, or capital goods introduced by a foreign investor as an object of investment.

** The date of notification of alteration (change of information) is not applicable

If you have further questions please contact

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