

What procedure should a foreigner follow when converting his/her individual business into a corporation?

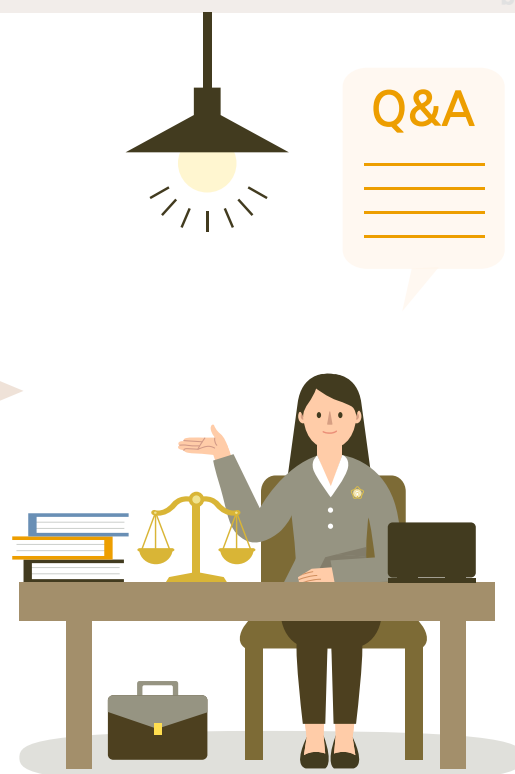
Every month, Invest KOREA provides answers to some frequently asked questions submitted by foreign-invested companies in Korea and potential investors.

Q.

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A.

When a foreigner intends to convert an individual business he/she has invested in under the Foreign Investment Promotion Act into a corporation, the general practice is to liquidate the individual business registered as a foreign-invested company and to establish a new corporation by investing the residual assets (cash in Korean won).



- The foreign-invested company can close his/her individual business (by reporting the closure to a regional tax office) and establish a corporation by filing for a cancellation of the registration of a foreign-invested company and notifying foreign investment simultaneously with delegated agencies.
- A foreign-invested company intending to take out a short-term, foreign currency loan that exceeds USD 30 million can do so by notifying the loan only to the head of a foreign exchange bank.
- If the residual assets of the individual business fails to meet the foreign investment requirements under the Foreign Investment Promotion Act (at least KRW 100 million and acquisition of at least 10% of voting stocks), the foreigner can establish a corporation only after bringing in foreign currency funds to fill the amount in short and making a payment for shares to a relevant bank (or submitting a certificate of balance). After a corporation is established and business registration is completed, the corporation should be registered as a foreign-invested company with the submission of all required documents of proof.
- An individual business can be converted into a corporation through investment in kind instead of through the common practice of cash investment after business closure and liquidation. In case of the establishment of a stock company, a corporation can be established under Article 290 (Matters on Irregular Incorporation) of the Commercial Act after an appraisal by a certified appraisal agency and an application for registration of alteration of foreign-invested company can be submitted together with documents certifying the changed details. (The foreign-invested company registration number remains unchanged; a certified copy of corporate registration, a certificate of business registration and a shareholder register should be submitted and the original copy of the certificate of the registration of a foreign-invested company of the individual business should be returned.)

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