

Foreign Investment Policy of Korea

Forms of Foreign Direct Investment

1

Acquisition of Equity Shares

Acquisition by a foreigner of shares or equity shares of a corporation or a business **to establish continuous economic relations with a Korean corporation/business**



Investment of KRW 100 million or more

Amount to be invested per person when two or more persons plan to invest



Ownership of 10% or more of voting shares

Both new or existing shares may be acquired



Exceptions to the requirements for equity share acquisition

Even when a foreigner invests KRW 100 million or more but acquires less than 10% of the equity shares of a domestic company, it shall be treated as foreign direct investment if the foreigner assigns or appoints an executive to the domestic company.

2

Long-term Loans

A loan with maturity of at least five years from a foreign-invested company's overseas parent company or a company having a capital investment relationship with the company to the foreign-invested company

- Long-term loans may be provided only when equity investment has been made, and the average loan period of at least five years must be satisfied.

* Calculation of loan period: The sum of 'the partial repayment or early repayment amount multiplied with the percentage of the repayment in relation to the total loan amount'



Capital Investment Relations

•Corporate Investor

[Where an investor is a corporation (overseas parent company)]

- ① A company that holds at least 50% of the total number of stocks issued by, or of the total equity investment of, its overseas parent company (OPC)
- ② A company whose OPC owns at least 50% of the total number of issued stocks or total equity investment of a foreign-invested company and falls under any one of the following:
 - A company that holds at least 10% of the total number of issued stocks or the total equity investment of its OPC

- An entity of which 50% or more of its total issued stocks or total equity investment is owned by its overseas parent company or a company of which 50% or more of its total issued stocks or total equity investment is owned by its OPC.

•Individual Investor

[Where an investor is a foreign individual]

A company of which at least 50% of the total issued stocks or total equity investment is held by an individual foreign investor who owns at least 50% of the foreign-invested company's total issued stocks or total equity investment

3

Contribution to a Non-profit Organization (NPO), etc.

A contribution to an NPO or a company is recognized as FDI where the foreign contribution amount is at least KRW 50 million and accounts for 10% or more of the total amount and where all of the following conditions are met.

* Related laws: Article 2 (1) 4 of the Foreign Investment Promotion Act, Articles 2 (2) and (4) through (8) of the Enforcement Decree of the Act

- ① The NPO or company has independent research facilities in the fields of science and technology, and meets any one of the following conditions:
 - There are at least five regular workers with a bachelor's degree in a science or technology field and at least three years' experience in research, or with a master's degree or higher in a field of science and technology
 - The NPO conducts R&D activities in the fields of natural science and engineering as classified under the Korean Standard Industrial Classification (KSIC)
- ② Other contributions to an NPO by a foreigner that meet one of the following conditions, and which are recognized as foreign direct investment by the Foreign Investment Committee:
 - An NPO established for the purpose of promotion, etc. of science, art, medical services, or education, and which continues to conduct its business with a view to developing professionals in the relevant fields and to expanding international exchanges
 - An NPO that is a regional office of an international organization that engages in international cooperation business between civilians or governments

4

Reinvestment of Unappropriated Retained Earnings

Investment of a foreign-invested company's unappropriated retained earnings for certain purposes such as construction or expansion of a factory. (in this case, the foreign-invested company shall be considered a foreigner and the foreign investment amount shall be calculated by multiplying the amount spent and the foreign investment ratio.)

Foreign direct investment by using unappropriated retained earnings (enforced on August 5, 2020)

- ① A foreign invested company applies (uses) its unappropriated retained earnings to the construction of a new factory or expansion of its factory or to any of the purposes stipulated in Presidential Decree
 - In such case, the foreign-invested business is considered to be a foreigner, and the foreign-invested amount shall be the amount obtained by multiplying the amount applied/used for such purpose by the ratio of equity investment by the foreigner(s).
- ② Applications:
 - **Construction or expansion of place of business or research facility (manufacturing business):** When a foreign investor purchases land or building to put up a production/ research facility, pays rent or building construction expenses, provides funds for installing infrastructure facilities including power and communication facilities for building a new production/research facility, or intends to purchase capital goods or research equipment and materials
 - **Construction or expansion of place of business or research facility (non-manufacturing business):** When a foreign investor purchases land or building to put up a production/ research facility, pays rent or building construction expenses, provides funds for installing infrastructure facilities including power and communication facilities for building a new place of business or research facility, or intends to purchase capital goods or research equipment needed to operate the business.

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