

# How Foreigners Can Start Business in Korea

 <b>Category</b>	 <b>Foreign-Invested Company</b>	 <b>Domestic Branch</b>	 <b>Liaison Office</b>
Governing law	Foreign Investment Promotion Act	Foreign Exchange Transaction Act	Foreign Exchange Transaction Act
Type of corporation	Domestic	Foreign	Foreign
Recognized as FDI	Yes	No	No
Company name	No restrictions	Must be identical to that of headquarters	Must be identical to that of headquarters
Scope of business activities	No restrictions within the permitted scope	Restricted to same activities as headquarters, within the permitted scope	Not permitted to generate profit, and can only engage in liaison operations
Minimum investment amount	KRW 100 million*	No restrictions	No restrictions
Legal liability	Liability limited to domestic corporation	Liability extends to domestic corporation and headquarters	Liability extends to domestic corporation and headquarters
Independence	Independent from headquarters	Subordinated to headquarters	Subordinated to headquarters
Loans in Korea	Possible depending on credit rating of the domestic corporation	Almost impossible	Impossible
Establishment procedures	1. FDI notification 2. Remittance of investment funds 3. Registration of incorporation 4. Business registration 5. Registration of foreign-invested company	1. Notification of domestic branch establishment 2. Registration of incorporation 3. Business registration	1. Notification of domestic branch establishment 2. Registration of identification number
Accounting and taxation	Obligation of bookkeeping according to Korean Accepted Accounting Principle and external audit for certain conditions	Obligation of bookkeeping according to Korean Accepted Accounting Principle, but no obligation of external audit	No bookkeeping obligation
Corporate tax rate	Tax obligation * Taxation ▶ National Tax ▶ Corporate Tax		None
Taxable income	Total income based on all profit made in Korea and overseas by the domestic corporation	Total profit based on domestic source income of the domestic branch. Branch tax should be paid in some countries.	None
Tax benefits	Tax benefits for foreign-invested company and small and middle-sized business according to the Restriction of Special Taxation Act	None	None

\* A foreigner may establish a corporation with an investment of less than KRW 100 million, although it will not be recognized as FDI and is subject to notification of stocks acquisition (Attached Form no. 7-6 of the Regulations on the Foreign Exchange Transaction) as prescribed by the Foreign Exchange Transaction Act.

# Unappropriated Retained Earnings Reinvestment FDI Recognition System

## Did you know that reinvesting unappropriated retained earnings can be recognized as foreign investment in Korea?

With the revision of the 「Foreign Investment Promotion Act」 in August 2020, foreign-invested companies operating in Korea can now have their reinvestments of unappropriated retained earnings recognized as foreign direct investment (FDI) and apply for investment incentives such as cash support.

### I. Procedure for Reporting Investment of Unappropriated Retained Earnings

- ① Prepare required documents such as the investment plan for using unappropriated retained earnings.  
(Refer to the explanation below)
- ② Submit the aforementioned documents to the Investment Consulting Center at KOTRA.

### II. Required Documents for Submission (Total of 5 Documents)

- ① Two originals of the report for investment of unappropriated retained earnings
  - Planned investment amount (A): When proceeding with investment using future unappropriated retained earnings, the investment amount should be set within the limit of retained earnings carried forward from the most recent settlement.
  - Foreign investment ratio (B): The foreign investment ratio as stated on the Certificate of Foreign Investment Company Registration.
  - Authorized signatory: The representative of the Korean corporation
  - Other: Figures such as the company's capital must match the most recent financial statements report.
- ② One original of the investment plan for using unappropriated retained earnings
- ③ One copy of the external audit report on the financial statements (Extractable from DART Management Disclosure)
- ④ The most recent earnings surplus disposition statement (Extractable from DART Management Disclosure)
- ⑤ One copy of the Foreign Investment Company Registration Certificate

*For further inquiries, please contact the Investment Consulting Center*

Call **+82-1600-7119** or Visit **<https://www.investkorea.org/ik-en/cntnts/i-2558/web.do#>**